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# China Report

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25 July 1985

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NINGXIA'S 1984 GOVERNMENT WORK REPORT

HK250210 Yinchuan NINGXIA RIBAO in Chinese 16 May 85 pp 1, 2

[Government Work Report by Vice Chairman Ma Sizhong [7456 1835 1813] at the third session of the Fifth Ningxia Hui Autonomous Regional People's Congress on 2 May 1985: "Persist in Reform, Consolidate and Develop the Excellent Situation"]

[Text] Fellow Deputies:

Entrusted by Chairman Hei Boli and on behalf of the Ningxia Hui Autonomous Regional People's Government, I now submit for examination and approval by the present session the government work report on the region's economic situation and the reform of the economic structure.

I. The Present Economic Situation in the Region

The strategic aim that "Ningxia must first bring about an upswing" was determined at the Second Session of the Fifth Regional People's Congress held in April 1984, based on the general tasks proposed by the party's 12th National Congress and the important instruction of Comrade Hu Yaobang. Closely centering on this strategic aim, we have earnestly implemented the principle of "reform, opening up to the outside world, and invigorating the domestic economy" over the past year under the leadership of the CPC Central Committee, the State Council, and the regional CPC committee. Through the common struggles of the people of all nationalities of the whole region, the economic situation of the region, as in the whole country, is getting better and better, and is on the track of stability and harmonious development, with inspiring new successes gained. In 1984, the region's gross industrial and agricultural output value grew steadily on the basis of an average 10 percent increase in 2 successive years, and reached 2.87 billion yuan, up by 15 percent from 1984. The targets for the sixth 5-year plan have been fulfilled 1 year ahead of schedule for gross industrial and agricultural output value, national income, and local financial revenue.

Another all-round bumper harvest was reaped in agriculture. Rural reform went on smoothly, which has powerfully pushed ahead the development of productive forces. In 1984, the region's gross output of grain was 3.08 billion jin, exceeding the target of 3 billion jin for the first time in history. The

gross output of oil crops was 89 million jin, up by 8.2 percent from 1983. The gross output of sugarbeet was 531 million jin, up by 79.4 percent from 1983. The increase in the output of grain and edible oil crops has created favorable conditions for readjusting the product mix in the rural areas, and promoted the all-round development of forestry, animal husbandry, sideline production, and fishery. In 1984, the region completed afforestation on an area of 1.48 million mu of land, up by 140 percent from 1983, and planted grass on 1.1 million mu of land, up by 110 percent from 1983. The Xiji forest belt project was constructed quickly and of good quality. In 1984, the number of draft animals was 676,000 head, an increase of 6.5 percent, and the number of sheep increased by 9.1 percent from 1983. The gross output of pork, beef, and mutton was 53.61 million jin, increasing by 17.3 percent from 1983. The output of milk was 16.23 million jin, growing by 38 percent from 1984. The output of aquatic products was 1,508 tons, growing by 42.4 percent from 1983. The all-round increase of agricultural production has brought forward the vigorous development of commodity economy in the rural areas. In 1984, the gross output value of the region's purchases of agricultural and sideline produce was 322 million yuan, increasing by 17.9 percent from 1983. Specialized households of all categories numbered more than 68,000, accounting for 13 percent of the total number of rural households. More than 10,000 economic combines were set up along with 174 specialized villages. Specialized households and economic combines have become a vital new force in developing commodity economy in the rural areas. Enterprises in towns and townships of the rural areas are on the rise. The gross income of enterprises in towns and townships was 360 million yuan in 1984, increasing by 33.3 percent from 1983. The practice of peasants running industry and commerce and service trades in combines in towns kept emerging. Particularly pleasing is the fact that Guyuan Prefecture which had long been in a poverty-stricken state has begun to change for the better from its poor condition of ecological imbalance, with its economy developed and a bumper harvest reaped in 2 successive years through planting grass and trees in a big way and readjusting the product mix. In 1984, its gross grain output was 660 million jin, with the majority of its peasant households attaining self-sufficiency in the supply of grain, and some peasant households even having surplus grain. It has basically realized the strategic target proposed by Comrade Hu Yaobang of "bringing about a small-scale upswing in 3 years." The pace has been stepped up in the development of new irrigation areas, while peasants in mountainous areas have newly reclaimed 40,000 mu of land in the vicinity of reservoirs built in irrigation areas, with income being brought in even in the same year the land was reclaimed. Spring sowing this year in the Huang He irrigation areas has already been completed successfully, while the spring farming in mountainous areas is enthusiastically under way, and afforestation on a mass scale is being carried out vigorously.

Industrial production grew steadily, with marked improvement in economic results. The region's industrial production began to shift to the track of taking improving economic results as the center, and the rate of development increased synchronously with economic results. In 1984, the region's gross industrial output value realized was 1.836 billion yuan, a 13.9 percent increase over 1983. Of this, light industry increased by 15.3 percent and

heavy industry, by 13.3 percent, while light and heavy industries developed harmoniously. The development rate of energy industry was stepped up; the output of raw coal was 10.7 million tons, generated energy was 2.325 billion kilowatts, both a record high. New development was made in communications and transport, and in post and telecommunication undertakings. Marked effects were achieved in changing the situation from suffering deficits to making profits in the region's industrial and communications system. The number of enterprises suffering from deficits reduced, and the volume of deficits dropped by 56.3 percent. In 1984, the region completed 18 projects of technological development of which, monocrystalline lithium niobate and sunflower stalk packed board won national prizes for excellent projects. Some 224 new products were under trial production or put into production; 38 items were appraised as good-quality products, with 2 of them being appraised as national good-quality products, and 3 others appraised as good-quality products at ministerial level. An investment of 70 million yuan in technological transformation was realized, a 27 percent increase from 1983, involving 58 completed projects with a newly-increased output value of more than 70 million yuan. Marked improvement was made in economic results of enterprises under ownership by the whole people. Per capita labor productivity was raised by 10.7 percent from 1983, profits realized increased by 38.7 percent, and tax and profit handed over to the state increased by 13.4 percent. In the change from production style to production operations style, enterprises paid attention to market needs, the readjustment of product mix, and increase of varieties, while enthusiastically expanding production of readily marketable products. In 1984, the production and sale of some major industrial products increased considerably; income derived from sales increased by 12.1 percent from 1983. The profit and tax rate per 100 yuan of capital and the profit rate per 100 yuan of income derived from sales increased somewhat. This year, the region's industrial production continues to grow steadily.

The annual plan for capital construction was overfulfilled. The building of key projects progressed quickly, and the quality was good. In 1984, the region fulfilled an investment of 455 million yuan in capital construction, a 37.9 percent increase from 1983. Some 282 million yuan worth of fixed assets were newly increased, a 20.5 percent increase from 1983. New progress was made in the building of key projects in the region in 1984. Pingluo Sugar Refinery was put into production 1 year ahead of schedule and brought in profit in the same year. The annual plans for all national or regional key projects such as the Guyuan-Haiyuan high-lift pumping project, Dawukou Power Station, Ningxia Chemical Works, and Shizhuishan No. 3 Pit were fulfilled or overfulfilled. The contracted responsibility system in investment was implemented in 89 percent of the region's investment projects covered by the budget, and public bids were invited for contracts for 78 projects.

The year 1984 was one with a comparatively greater increase in financial revenue in recent years. The annual financial revenue was more than 222 million yuan, exceeding the budget by some 40 million yuan, showing a 30 percent increase from 1983. Income of industrial enterprises increased by 21.93 million yuan on the 1983 basis, more than double. Beginning from the

last quarter of 1984, the second stage of substituting tax payment for profit delivery has been implemented. A total of more than 178 million yuan of industrial and commercial tax was realized in 1984, a 13.8 percent increase. The banks took an active part in serving economic construction, reforming the capital managerial system and expanding savings deposits. They did their best to collect funds, and to develop the trust business in order to ensure the needs of funds in importing technological equipment, the technological transformation of enterprises, the development of enterprises in towns and townships, and special households and economic combines in the rural areas, and made contributions to invigorating economy in both urban and rural areas.

New successes were scored in the field of science and technology in serving economic construction. The region's scientific research units and scientists and technicians have enthusiastically served the four modernizations by gearing their work to production. In 1984, 101 projects listed in the regional plan for science and technology were fulfilled. The 24 topics of research conducted by departments concerned on the exploitation and utilization of natural resources and technical transformation of various trades have been fulfilled in the main. And efforts have been concentrated on tackling some major comprehensive experiments in agriculture, with some projects already yielding marked economic results.

A new situation has emerged in opening up to the outside world, and comparatively great progress has been made. In 1984, the region held, for the first time in history, the Ningxia international economic and technological cooperation talks. In February 1985, the regional people's government held a reception in Beijing for envoys to China from Islamic countries, and laudable successes were made in publicizing Ningxia, promoting friendship, and expanding foreign economic cooperation. In September 1984, Wuzhong Plastic Bag-Knitting Factory signed a contract with the Federal Republic of Germany on importing a plastic bag-knitting production line. When the equipment arrived in late February 1985, it was promptly installed, adjusted, put into trial production in April and formally put into production in May. It is estimated that the output value in 1985 will be 10 million yuan, bringing a profit of 1 million yuan. The region's first joint-venture "Ningjia Company" is formally in operation, and the conditions of its management, operation, production and marketing are fine. The region has carried out cooperation in providing labor services by contracting for building projects in Egypt and Yemen. Our personnel were praised and admired there for the good discipline of our workers, the fine quality of the projects, and the speed of their work. Today, the region has established trade and economic relations with more than 50 countries and regions in the world. The targets in the region's annual plan for 1984 were fulfilled or overfulfilled for the volume of purchases for export, foreign exchange created by export, and imports. Economic and technological cooperation between the region and other provinces and cities has been expanding rapidly. Localities and departments of the region have signed agreements with 14 provinces and cities on 305 economic and technological cooperation projects and brought in capital totaling 110 million yuan as a result of investigation, study, and cooperation talks. In January 1985, the region's economic cooperation delegation went to Shanghai, Zhejiang, and Jiangsu and held talks on



economic and technological cooperation; eventually, agreements on a number of cooperation projects were signed. The development of inter-provincial cooperation in the fields of capital, technology, qualified people, goods and materials, information and consultation has played and will continue to play an important role in stepping up the pace of the region's economic construction.

The market was brisk, and the people's living standards continued to improve. In 1984, the volume of social retail sales was 1.285 billion yuan, a 15.8 percent increase from 1983. The volume of rural and urban fair trade grew by 21 percent from 1983. The market was thriving, and unprecedentedly active. The people's living standards in both rural and urban areas improved once again. According to a sample investigation, the per capita monthly income of worker and staff families in the urban areas was 54 yuan, a 19 percent increase from 1983, and the per capita annual income in the rural areas was 313 yuan, an 8.6 percent increase from 1983. People's savings in the banks continued to grow in the urban and rural areas of the region, and there was further improvement in the living conditions.

With the rapid development of economic construction, the building of spiritual civilization also scored new successes. Great achievements have been made in all fields of work in culture, education, publication, broadcasting, television, public health, physical culture, meteorology, foreign affairs, civil affairs, nationality, and religion. The building of the government and the socialist legal system was also strengthened, with a marked turn for the better in public security and social order.

The above-mentioned achievements are the results of our correct implementation of the principle of "reform, opening up to the outside world, and invigorating the domestic economy." Spurred by party rectification work over the past year, we have further rectified our professional guiding ideas, further completed and perfected the cooperative system characterized by the system of contracted responsibilities with payment linked to output, and basically changed the old system which had fettered the development of the agricultural productive forces. Starting from solving the problems of "eating from the same big pot" of the state on the part of the enterprise, and "eating from the same big pot" of the enterprise on the part of the workers and staff in the urban areas, we have decentralized a number of enterprises directly under the jurisdiction of the region, and expanded the decisionmaking power of the enterprise. We have adopted the measures of "transforming, transferring, and leasing" in regard to small state-run industrial and commercial enterprises. Multiple forms of the economic responsibility system with contracted responsibility with economic contracts as the main form, have been universally implemented inside the enterprise. The experiment of the on-the-job responsibility system for director (manager) has been implemented in 25 enterprises. The measures of contracted responsibility with investment, inviting public bids for contracts, and the system under which contracts may also be signed to fix the amount of 100 yuan worth of finished work have been adopted in the building industry. The circulation system has been reformed, based on the principle of "more channels, less links, and relaxation." The comprehensive

reform has been carried out on a trial basis in Yinchuan. The region's reform in the economic structure in cities was in its initial stage in 1984; however, it has already brought marked effects in promoting economic development.

Fellow deputies! We have scored really great achievements in our work over the past year and the economic situation of the region is fine. However, amid the excellent situation, we still have some difficulties and problems. Objectively, the supplies of raw materials and power, and transport and communications have been under rather great strain; the industrial mix and the product mix are not rational enough; the enterprises in towns and townships are still a weak link, and some masses in the mountainous areas still find it difficult to make a living. Subjectively, we have attached attention to invigorating the microscopic economy in economic management, but have not studied and controlled the macroscopic economy enough. We have not been strict in controlling credit loan funds and consumption funds. There are grave problems in some departments and units which start from the interests of their own departments, regardless of the overall situation, by issuing bonuses and allowances in cash or in kind, and increasing wages indiscriminately. And we have not been effectively enough in rectifying them. Bureaucratism still exists in leadership. Some leading cadres have not conducted enough investigation and research, they have not plunged deep into the realities of life, in particular, they have not worked hard enough in studying the new conditions and solving new problems emerging in the course of reform. All this should be solved in earnest in our work from now on. It is hoped that the people's deputies will strengthen their supervision and criticism on our work.

## II. On the Reform of the Economic Structure

Since the 3d Plenary Session of the 11th CPC Central Committee, we have primarily grasped the reform of the economic structure in the rural areas, and we have conducted experiments and made exploration in some respects in the cities as well. The "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee has drawn up a magnificent blueprint for the reform of China's economic structure, and it is a program to guide us in carrying out the reform of the economic structure. The year 1985 is the first year of implementing the decision of the 3d Plenary Session of the 12th Central Committee. To further do a good job in the reform this year is of important significance to consolidating and developing the present excellent situation of the region, ensuring the smooth progress of the reform, promoting the steady, stable and harmonious development of the national economy, fulfilling in an all-round way the sixth 5-year plan, and laying a good foundation for the seventh 5-year plan.

In his government work report made at the Third Session of the Sixth NPC, Premier Zhao Ziyang pointed out: The principles guiding the current reform are: Be steadfast, be prudent in fighting the first battle, and be sure to win. It is necessary to have a clear understanding of the favorable conditions for reform, as well as a full estimation of the problems and difficulties in the course of the reform. We should watch every step, and be sure



that we are on solid ground in our advance. We must be steadfast in the reform of things which we are quite sure of, and we may conduct experiments on those which we are not quite sure of. We should continuously carry out explorations and sum up experiences, and be sure to win the first battle.

According to the spirit of the Third Session of the Sixth NPC, the chief tasks of reform in the region are:

1. Further Invigorate the Economy and Raise Economic Results in All Respects

In order to further enliven the economy in the rural areas, it is necessary to earnestly implement the CPC Central Committee 1985 Document No 1, and the several stipulations of the regional CPC committee and people's government on implementing the CPC Central Committee Document No 1. We should take a firm grasp of the implementation of policies and do a good job in second-step reform in the rural areas. It is necessary to continue to make complete and perfect the system of contracted responsibilities on the household basis, with payment linked to output, and to do a good job in work to reform the system of monopolized and fixed purchases of agricultural and sideline produce in a down-to-earth manner. Commodity production should be developed in a big way by further readjusting the product mix in the rural areas in the order "industry, agriculture, and trade." Grain production centers should maintain the steady increase in the output of grain, and do a good job in the conversion of grain in various forms through diversified channels in order to widen the multiple uses of grain. Under the premise that grain production should by no means be relaxed, a good job should be done in the harmonious development of agriculture, forestry, animal husbandry, sideline production, fishery, industry, commerce, transport, building, and the service trades by suiting measures to local conditions. Enterprises in towns and townships should be developed actively and steadily in individual and combined forms. The advantages of local natural resources must be made full use of in the active development of the processing industry of agricultural and sideline produce, the building industry, the building material industry, transport industry, mining industry, and tertiary industry. While continuing to widen the channels of production, it is necessary to lay stress on grasping the improvement of quality of products, and to produce marketable good-quality products in a big way in order to improve economic results. The hilly areas should continue to implement the principles on production formulated by the regional CPC committee on planting trees and grass and to resume forestry and animal husbandry on reclaimed hilly land. The flatland areas should basically realize the building of forest belts, and we should push forward afforestation in the mountains areas of Ningxia to a new stage. Down-to-earth and effective measures should be adopted to develop animal husbandry and fishery in a big way. It is necessary to step up pace in the production of a developmental nature, and continue to open up new production realms. The policies on production of a developmental nature formulated by the regional CPC committee and people's government should be implemented; and individual and combined households are encouraged to run small farms, small ranches, small forest farms, small fishery farms, fodder-processing factories, animal product processing factories, small coalpits, small cement kilns, and small hydropower

stations. Regarding production of a developmental nature, the focus is on developing two irrigation areas each covering a million mu of land; and relevant departments should make overall planning, exert concerted efforts, and strive to bring their economic results into play as soon as possible.

Urban areas should take invigoration of enterprises as the center. The "Decision of the CPC Central Committee on Reform of the Economic Structure" has pointed out: "The key to restructuring the national economy, with the focus on the urban economy, is invigoration of enterprises, particularly the large and medium-sized enterprises owned by the whole people." In 1985, while continuing to invigorate small enterprises, it is necessary to focus on solving the problem of strengthening the invigoration of large- and medium-sized enterprises owned by the whole people. The gross output value of the region's large and medium-sized enterprises with independent accounting makes up 55.2 percent of the region's gross industrial output value and more than 60 percent of the taxes and profits handed over to the state. These enterprises are the leading force of the region's national economy, and also the mainstay of local financial revenues. Therefore, in order to implement in an all-round way the relevant stipulations concerning the policies on expanding the decisionmaking power of enterprises and invigorating the enterprises formulated by the Central Committee, the State Council, and the regional CPC committee and people's government, we must further streamline administration, decentralize decisionmaking power, and put the enterprises under a lower administrative level. Regarding a small number of large- and medium-sized enterprises which are good in management and operation, and have made great contribution, but have been allowed to retain too little, consideration should be given to appropriate readjustment of their tax rates and targets in their mandatory plans. Mediocre enterprises and those which have shown poor economic results, should be consolidated in earnest. We should base ourselves on tapping potentials and on technical transformation in increasing production, improving quality of products, developing products possessing competitive power, lowering production cost, and strengthening the capability for self-transformation and self-development. It is necessary to establish various forms of economic responsibility system in the combination of responsibility, power and benefits, with the establishment, completion and perfection of the contracted responsibility system in management as the core. Large- and medium-sized enterprises possessing the necessary conditions should be divided into smaller units of accounting, and should implement the system with branches and workshops as independent accounting units. We must resolutely do away with the egalitarian practise of "eating from the same big pot," persist in the principle of distribution according to work, and bring into full play the enthusiasm and creativity of the workers and staff. The enterprises should gradually realize the change from the purely production type to the operational and trail-blazing type. The enterprises may take one trade as the key, while producing diversified products, carrying out diversified operations, and developing comprehensive utilization based on the market needs and their own advantages. Enterprises should be allowed to go in for partnership and cooperation transcending locality or trade in various ways, and horizontal economic ties should be strengthened to open up new markets and new fields of service. The technical transformation of enterprises should be well grasped

in order to push forward technological progress. This year, we must grasp well the 12 key projects of the first batch in the region's plan for technical transformation, and the planning and preparations for the technical transformation in 40 key backbone enterprises to be carried out during the period of the seventh 5-year plan. We must continue to take a good grasp of the readjustment of enterprise structure, and promote the enterprises' reorganization, combination, and specialized production. A good job must be done, with backbone enterprises taking the lead, in harmonizing cooperation and unity between various trades and within a trade, and in promoting the rational arrangement of industrial production and the forming of an economic network.

It is necessary to take stock of and straighten out the existing corporations of various categories. Corporations of an administrative nature should be converted into economic bodies; and those corporations which have no grounds for existence should be resolutely removed. Those corporations which have registered with a false sum of capital that does not exist should be ordered to stop operation. Corporations which have less funds than their registered capital should make up the deficiency within a deadline. As to those corporations which have too wide a scope in operations, which is not in conformity with the sum of capital they actually have, the realm and scope of their operations must be restricted, based on their registered capital and the exact sum of capital they have in hand.

#### Do a Good Job in the Reform of the Wage and Price Systems

The two major tasks for the reform of the economic structure in 1985 are to take initial steps in the reform of the wage and price systems. This has a direct bearing on the whole situation of the national economy while involving the personal benefit of everyone. People's governments at all levels, all departments, all enterprises and undertakings and people of all nationalities of the region must unify their understanding, take concerted action, enhance discipline, and ensure the due results and successes of the reform based on the planning of the Central Committee and the State Council.

The focus of the 1985 wage reform is on reforming the existing irrational wage system, gradually eliminating the egalitarian malpractice of "eating from the same big pot" in wage distribution, and initially establishing a new wage system which is capable of expressing the principle of distribution according to work. The guiding idea of the current wage reform is to implement in the enterprises the measure of making the amount of worker wages float with the economic results of the enterprise, and linking the wages and bonuses of the workers and staff with the economic results of the enterprise and the contributions each has made to the enterprise. Experiments will be conducted this year in those enterprises which have a good foundation in management and operation, stronger leading bodies, and conditions. Those enterprises which do not possess conditions for the time being, can still continue existing measures and make improvements on them. The structural wage system with wages based on professional positions as its chief essence will be implemented in state organs and undertakings; it will closely link the wages of workers and staff with their own positions, responsibilities, and work results. Through

reform, the wage relationship will be initially ironed out, and the wage system will be shifted onto a new track.

In order to do a good job in the current wage reform, organizations at all levels, all enterprises and undertakings should conscientiously observe all the stipulations concerning wage reform formulated by the Central Committee and the State Council. They should resolutely carry out whatever the policies require, and refrain from doing whatever the policies forbid. They should by no means go in for frauds, or go each their own way. At present, departments concerned are conducting investigation and research in depth to find out about the actual conditions, and are making preparations to ensure the smooth progress of the wage reform.

Regarding the aim, significance, and prospects of the wage reform, both Premier Zhao Ziyang and Vice Premier Tian Jiyun have given clear expositions. Leadership at all levels should do a good job in earnest publicity and explanation, in order to make the cadres, workers, and staff understand that the 1985 wage reform will enable the wage levels of the overwhelming majority of people to rise somewhat. However, we should not ask for too much, and it is impossible to solve all the problems that have piled up concerning the wage system over the past 2 decades and more. Our cadres, workers and staff are reasonable, and so long as we make a clear explanation of the situation and the policies, we are sure all of us will handle correctly the relationship between immediate and long-term interests.

With regard to the reform of the price system, the CPC Central Committee and the State Council have formulated one guideline and three principles. The guideline is: To combine relaxed control with readjustments and aim at progress in measured steps. And the three principles are: First, raising the prices of some commodities while lowering those of others; second, the increase in production cost resulting from the price rise in production means should be basically absorbed within the enterprise; and third, to ensuring that there is no lowering of the actual income of the people in both the urban and rural areas resulting from price readjustment.

Based on the guideline and principles on the reform of the price system formulated by the CPC Central Committee and the State Council, and in connection with the actual conditions of the region, the regional people's government has studied and made the following stipulations: 1) Beginning from 1 April, a system of purchasing and marketing hogs at negotiated prices under guidance has taken the place of the system of fixed purchase of hogs. The purchase of hogs and marketing of pork will no longer be carried out at unified specific prices, while prices of a guiding nature for a certain period in the region are proposed by pricing and commercial departments based on price policy and the supply and demand trends of hogs. When the control over pork prices is relaxed, appropriate subsidies will be correspondingly given to the urban people. 2) The control over vegetable prices has already been relaxed. A good job should be done in management with diversified channels, reducing links, and establishing direct contact between production and marketing in order to ensure market supplies. 3) Since 1 April, the system of

unified purchase of grain has been done away with, and the method of purchase through orders in the form of contracts has been adopted in its stead.

4) Since 25 March, the price relations of some varieties of coal under unified allotment has been readjusted. And, 5) in order to bring into full play the effects of transport vehicles of various categories with a view to relaxing the strain on railway transport, prices for short-distance passenger and freight movement will be readjusted.

Premier Zhao has pointed out: "This year's price reform is to be carried out against the background of an over-issue of currency and an increase in the prices of some commodities. We should take major steps to reform the price system and, at the same time, resolutely prevent sharp price fluctuations." At present, the people's mentality is to require reform but to show a dread of price rises. Leading cadres at all levels must have a full understanding of the difficulties and complexity of the price reform, and do a good job in the following aspects: First, we must unify our understanding and take concerted action, and be at one with the CPC Central Committee in ideology and actions. We must by no means go each his own way, but act according to the unified plans and planning of the state concerning major reforms and measures of a nationwide nature. The price readjustment of products under the control of the localities must be approved by the regional people's government. No department or unit should make inappropriate stipulations exceeding its power. Second, it is imperative to strictly control the blind increase in consumption funds, and to strictly prohibit the indiscriminate increase of financial expenditures, arbitrary wage raises or the unwarranted issuing of bonuses and allowances in cash or in kind. Instances of concocting various pretexts and practising fraud in the indiscriminate expansion of consumption funds should be seriously dealt with. Third, it is necessary to strictly control the investment in fixed assets, in particular, the scope of extra-budgetary investment. Investments exceeding the prescribed norm, will be subject to heavy taxes. Fourth, it is necessary to earnestly implement the "Urgent Circular of the State Council on Strictly Controlling the Purchasing Power of Social Groups" and the supplementary stipulations of the regional people's government on the circular. The volume of purchasing power of the region's social groups is to drop by 20 percent from the actual volume in 1984. And fifth, we must resolutely reduce administrative expenditures, and ensure the fulfillment of a 10 percent reduction of the region's budget in administrative expenditures. We must strictly control the administrative staff establishment; and additional organs and personnel are not to be increased without sanction. We must greatly reduce the purchases of equipment and office expenditures; and it is strictly prohibited to hold banquets, to give presents, and to travel at the expense of public funds. We must resolutely put a stop to taking the opportunity of marking some events, celebrations, opening ceremonies, the initialing ceremonies of some publications, and sales exhibitions, to hold receptions or tea parties, so as to eat and drink extravagantly, and to give souvenirs and trial products arbitrarily at the expense of the state, to the extent of injuring the public to benefit oneself. Sixth, it is necessary to strictly implement the credit loan plan and financial policies, and to resolutely control the amount of currency in circulation. At the same time, it is necessary to take an active part in



organizing production of readily marketable products, to increase the market supply, and to accelerate the withdrawal of currency in circulation. Seventh, it is necessary to strictly control prices and to enhance supervision and examination. In the reform of the price system, departments of goods and materials, commerce, and industrial and commercial administration should all strengthen control over the market in a down-to-earth manner. The measure of linking professional workers with the masses in doing a good job of supervision and examination can be adopted. Cases of violating the state's price policies and financial and economic discipline, indiscriminate price rises, jacking up prices, and speculation must be severely dealt with. Departments of goods and materials and commerce should play an exemplary role in implementing price policies, play the role of the main channel, and take an active part in market regulation and stabilizing market prices. And eighth, it is necessary to do a good job in publicity and explanation, to rid people of their anxieties over price reform, to avoid ideological confusion, and to guard against panic buying.

### III. Further Develop the Import of Foreign Technologies and Funds, Strengthen Domestic Ties, and Make New Progress in Opening Up to the Outside World

Recently, Comrade Deng Xiaoping has emphatically pointed out, China is indomitable and unwavering in the reform which is under way and in its policies of opening up to the outside world and opening domestically. We must have a deep understanding of this spirit, and consciously link our own economic development with the economic and technological cooperation and exchange at home and abroad, in order to achieve greater progress and success and to advance in still bigger strides in the work concerning opening up to the outside world in 1985.

It is necessary to develop in a big way the economic and technological cooperation with all provinces, municipalities, and regions at home, in particular the open coastal regions, and extensively absorb and import advanced experiences and technologies. State, collective and individual-run enterprises should do this simultaneously; cooperation should be developed in many positions, various channels, many layers, and diversified forms; and regional advantages should be brought into play in order to gradually form a rational economic layout and structure, and to accelerate the region's development in such industries as energy resources, transport and raw materials. Shortages of goods and materials allotted to the region based on the state's plan should be made up by unfolding cooperation in goods and materials. The technical progress of enterprises in the region should be pushed forward, and the exploitation of intelligence be stepped up through technical cooperation and exchange of qualified people. At the same time, we should strengthen horizontal economic cooperation between various districts, departments, trades and enterprises, in order that the experiences and technologies developed in the region may be spread as quickly as possible and bring about fruitful results. We should attach importance to bringing into play the role of various "windows" the region has set up in Beijing, Tianjin, Shanghai, Hangzhou, Shenzhen, Guangdong and Fujian, through which, information is to be

relayed and channels linked, so that they may become bridges for economic cooperation at home and abroad.

We have made a good beginning in utilizing foreign funds and developing economic and technological cooperation with foreign countries. At present, the Ningxia Muslim Friendship Visiting Group headed by Comrade Hei Boli is visiting Pakistan, Egypt and Kuwait. They are discussing with departments concerned of these countries possible channels of importing funds and developing economic and technological cooperation. It is planned that international talks on economic and technological cooperation in Yinchuan will be held in September this year, with the aim of actively developing economic and technological cooperation and trade with Islamic countries and accelerating the four modernizations in the region.

In order to do a good job in opening up to the outside world, all departments concerned should attach great importance to doing their jobs in a down-to-earth way. On the other hand, some people should be put in charge of those projects which have already been examined, approved, and signed under contract. All departments should work in coordination, implement those projects one by one, and strive to put them into production and to bring in economic results as quickly as possible; they should, at the same time, attach attention to digestion and absorption of advanced technologies. On the other hand, concerning the economic cooperation and technological imports from now on, it is necessary to strengthen macroscopic research, and priority in importing should be given to those projects which have greater impact on the region's national economy. This must be done in a planned way, with some selection and focus, in order to accumulate strength for the long-term economic development of the region. For every imported project, market research and economic and technological analysis should be carried out in earnest, and attention should be paid to social comprehensive economic results, so that blindness in action may be averted. We must persist in the policy of importing, digesting, developing and creating something new, and strengthen our capability of developing self-reliance.

We must work hard to develop the region's foreign economic relations and trade. At present, the region's situation is characterized by spending much foreign exchange on importing important goods and materials and technical equipment urgently needed by production, construction, and the market, while little foreign exchange has been created by export, and the gap is great. It is necessary to adapt to the new situation of the reform of the foreign trade system, and to strengthen the region's leadership and management in foreign trade work. We should take a firm grasp of export, correctly apply the means of administrative management and economic regulation, tap potentials in every possible way, develop the region's products for export such as coal, machines, tools, agricultural, sideline and native produce and Muslim foodstuffs, and resolutely fulfill and overfulfill the plan for export in order to increase revenue in foreign exchange. Foreign trade enterprises should further improve management and operation, lower production cost, and actively organize foreign trade transactions, goods delivery, and collection of foreign exchange. The

foreign exchange control system should be carried out strictly, and economy must be practised in expenditure of foreign exchange.

#### IV. Actively Do a Good Job in the Reform of Science and Technology and Educational Structures

With the reform of the economic structure in the urban and rural areas, it is necessary to do an equally good job in the reform of the science and technology and educational structures. To bring up a greater number of qualified people, to score greater achievements, and to efficiently push forward technical progress are of strategic significance to China's modernization.

The reform of science and technology must be based on the arrangement of the regional CPC committee to organize the cadres and the masses to earnestly study the "Decision of the CPC Central Committee on the Reform of the Science and Technology Structure" and the speeches of Comrades Hu Yaobang, Deng Xiaoping, and Zhao Ziyang at the national work conference on science and technology, in order to further deepen the understanding of the necessity and urgency of reform of the science and technology structure, and to have a clear idea of the fundamental purpose of the reform of the science and technology structure. A situation of showing respect for knowledge and for qualified people, and of attaching importance to the research, application, and spread of science and technology should be genuinely created throughout society. In accordance with the decision of the Central Committee and the requirements of the regional CPC committee, departments of science and technology must link themselves closely with the actual conditions, and study and propose the region's specific plans for implementing the "Decision" as quickly as possible, on the basis of earnestly summing up experiences in experiments on the reform of science and technology.

Regarding the reform of the science and technology structure in the region, we must be persistent in the policy of facing economic construction, and serving the promotion of economic development and technical progress. Reform must be carried out step by step in a planned way in operational mechanism, organizational structure, and personnel system. The decisionmaking power of science and technology departments must be further expanded, and the responsibilities system must be made complete and perfect in order to stimulate the enthusiasm of the science and technology personnel in doing a good job in scientific research and the application and spread of its results. We should gradually set up an open-style market for science and technology and the exchange of qualified people, and actively unfold diversified forms of activities in technological trades such as the transfer of technological results, contracted technology, and technological consultancy and service. The principles of voluntary participation and mutual benefit must be adhered to, the unity between scientific research institutes and enterprises must be enhanced, and the capabilities of enterprises in technological absorption and development must be intensified. We must start from the urgent needs of the region's economic construction in determining the projects of science and technology development and their application and spread. Concentrated efforts must be well organized to tackle difficult problems in major science and technology



projects, and the application and spread of science and technology results must be grasped in a down-to-earth way in order to promote the region's economic development and technical progress.

Regarding the reform of the educational structure, it is necessary for all localities and departments to conduct deep investigation and research in order to have a clear idea of the situation. We must start from the actual conditions of the region's schools of various levels and classifications to reform the educational and administrative systems, to readjust the educational structure, to correspondingly reform the teaching contents, method and curriculum, and to improve the quality of education.

The principle of running schools at different levels must be adhered to, and the measure of running schools with collected funds through various channels of the state, the collective, and individual should be adopted. Primary education must be further developed and popularized, and compulsory education should be implemented step by step. Different requirements for the popularization of primary and secondary education should be proposed based on the different conditions between cities and towns and the rural areas, and between the flatlands and mountainous areas. We must not only develop the numbers of students but also improve the quality of education in particular. We must lay a good foundation for training a generation of citizens from childhood who have lofty ideals, morality, culture, and discipline.

It is necessary to readjust the structure of secondary education, and to develop vocational and technical education in a big way. In recent years, the region has run some vocational and technical schools; however, this is still a weak link in the whole educational undertaking and social needs. Therefore, it is necessary to bring into full play the potentials of the existing secondary vocational and technical schools, and to expand the enrollment of students. It is also necessary to turn some general senior middle schools into vocational schools, and to add a number of vocational classes in some general senior middle schools. It is advocated that various departments and units run vocational classes by themselves, or in combined forces, or to run those classes together with the education departments. In this way, they will not only shoulder the task of training qualified people for their own departments and units, but will also face society, and train qualified people for other units and departments, with compensation. In vocational and technical education, it is necessary to attach importance to education in professional ethics and discipline, in order to improve the political and professional qualities of the region's contingent of workers and staff.

The key to the reform of the system of higher education lies in changing the administrative system characterized by excessive and over-rigid administration of institutes of higher education on the part of education leading departments, and expanding the decisionmaking power of institutes of higher education in running schools. Under the prerequisite of fulfilling the mandatory plan for enrollment of the state, institutes of higher education under the region should actively develop their potentials in running schools by themselves. They may accept students who require further education, be commis-

sioned to train students taking regular college courses or special courses, and run correspondence or night colleges. We should strongly advocate cooperation between colleges, and between colleges and scientific research institutes and production departments, to tackle difficult problems in scientific research, and shoulder the tasks of technological development and the spread of new technologies with concerted efforts. Here, we should like to stress that regarding the whole region, we are not to build any new colleges at present on principle. And our focus is to be on improving the conditions for running schools, strengthening the building of the force of teachers, expanding the scope of enrollment, improving the quality of education, and running well the existing colleges, in order to train advanced, qualified, and specialized people for the region's four modernizations.

Fellow deputies!

The tasks of reform for 1985 are extremely heavy; in particular, the reform of the economic structure with the cities as the focus is even more complicated than the reform in the rural areas. It involves all professions and trades, and all links in the economic managerial system, and we still lack experience in this respect. Our region has a weak foundation, and is limited in its economic and financial power, while the power of endurance in all respects is far from being strong, and can hardly be capable of undergoing any major fluctuation. Facing such a new situation, we must unify our ideology, and seek unity in action. We must have full faith in the undoubted successes of the reform, while we must fully estimate the difficulties and problems confronting us, so that we may earnestly guard against possible danger and ensure the smooth progress of reform and realize the target of being sure to win the first battle. To achieve this, it is necessary to pay attention to solving the following questions:

1. Correctly Handle the Relationship Between Opening Up, Invigoration, and Strengthening Management

The reform of the economic structure is a profound revolution. On the one hand, it is necessary to continue to emancipate the mind, and to stress opening up and invigoration. On the other hand, it is necessary to strengthen management, and to make the system complete and perfect. These two aspects are unified and supplement each other; we should not stress one aspect while neglecting the other. Our principle remains opening up and invigoration in small aspects, and good control in major aspects. Only then will it be possible to ensure the progress of reform in good order. But of course, when we lay stress on strengthening management, we certainly do not mean to take the road back; we should aim at the new situation and new problems in setting up the new managerial system and methods of macroscopic regulation and planned commodity economy, and strengthen building of the economic legal system.

At present, it is necessary to pay particular attention to strengthening supervision work. Departments such as audit, finance, banks, tax revenue, price, statistics, and industrial and commercial administration and management should take an active part in improving their work methods and strengthen

economic supervision based on the state's law, decrees, and policies. In particular, they should strengthen tax revenue, the supervision of prices, and the control of the market, and resolutely fight against all actions violating the economic laws, decrees, and financial and economic discipline.

## 2. Strengthen Ideological and Political Work and Firmly Establish the Central Idea of "Working Together in Concert in Building the Four Modernizations"

At present, some comrades start from the departmental, partial, and immediate interests of their own units in considering problems and handling affairs, regardless of the whole situation and long-term interests. They lack enthusiasm in developing productive forces and realizing the target of quadrupling, and fail to understand that the four modernizations are the greatest politics in the new historical period. They pay lip service to being subject to and serving the general target and tasks, but do not exert efforts in understanding the new situation and studying new problems, in removing obstructions on the way to progress, and in creating a new situation, but take advantage of the reform and opening up to the outside world to go in for crooked ways. All this has proved that some departments and units in the region have not made "working in concert for the four modernizations" an overwhelming central idea. This problem should rouse the attention of leading cadres at all levels; and they should strengthen ideological and political work, and take the lead in firmly establishing this central idea.

It will not be easy for the whole region to firmly establish this central idea, and great efforts must be made. At present, the most important point is to guide the masses to correctly handle the relationship between partial and overall interests, and between immediate and long-term interests, to pour their whole heart and soul into striving for the cause of the prosperity of the state and the people, and to overcome and oppose those ideas of ultra-individualism and departmentalism that pay no heed to the overall interests of the state and people. In adopting important actions and measures involved in the reform, all localities and units must fully consider the possible macroscopic reaction and the economic results for the whole society, and make partial interests subject to the whole interests, and immediate interests subject to long-term interests.

It is necessary to continue to persist in the principle of gradually improving the people's living standards on the basis of developing production. At present, some cadres and masses have some impractical demands and ideas, because they have failed to understand the whole situation. This requires us to pay attention to mastering the ideological trends, to studying the practical problems and social psychology emerging in the course of reform, and to correctly publicizing the dialectics of the mutual promotion between production and consumption. Leading cadres of all levels should show concern for and improve the living standards of the masses, and promote a civilized, healthy, and scientific lifestyle. However, they should never forget the fine tradition of arduous struggle and building up the country through thrift and hard work, and they should not guide people to make appropriate demands for enjoyment deviating from the whole situation of the four modernizations. It

is necessary for the cadres and masses to understand that our country is in the period of rousing the people for vigorous efforts to make the country prosperous; and this is like climbing up the mountain, when we do not even have the time to take a breath, so how can we ask for too much enjoyment? Only when we concentrate our minds on "working in concert for the four modernizations," carry out arduous struggle, go all out to make the country strong, and build up the country through thrift and hard work, will it be possible to gradually increase the economic strength of our country, and to create a solid material foundation for continuously improving the people's living standards. It is hoped that communists and cadres of the state will play an exemplary role, attach importance to party spirit, consciousness, and style, and continue to bring forward the spirit of "being the first to bear hardships, and the last to seek enjoyment," and "becoming rich only when the country is rich," and of utter devotion to the people. We hope that they will be most faithful and loyal, work diligently, serve the people heart and soul, and make new contributions to socialist modernization. So long as the overwhelming majority of the workers and staff and the peasants have their income increased, when their enthusiasm is brought into play and there is improvement in social production and economic results, the income of our public servants will inevitably increase with them.

### 3. Rigorously Enforce Discipline, Oppose and Correct New Unhealthy Tendencies

New unhealthy tendencies injuring reform were on the rise some time ago. Just as was pointed out by the leading comrade of the Central Advisory Commission: "These new unhealthy tendencies have great momentum, involving a very wide scope and developing fast, and they are spreading to all systems and localities of the country like an epidemic." Of course, our region is no exception. The conspicuous expressions of these new unhealthy tendencies are: Party and government organs and cadres going in for business, running enterprises, and reselling at a profit goods and materials in short supply by taking advantage of their posts; jacking up prices in violation of the policies; arbitrarily issuing bonuses, allowances in cash or in kind by concocting various pretexts; holding banquets, giving presents, eating and drinking extravagantly at the expense of public funds; raising wages without sanction, and organizing shock promotions and upgrading in violation of the state's stipulations; resorting to deception and doing things superficially for personal gain; selling lottery tickets in a big way, and arbitrarily going in for selling with prizes; and indiscriminately selling unhealthy tabloids to the extent of poisoning people's minds and corrupting the social atmosphere. Despite the fact that these unhealthy tendencies took place in some localities and departments, and that most of them were corrected as soon as relevant documents of the CPC Central Committee and the State Council were issued, we should by no means underestimate the danger of those unhealthy tendencies and lower our guard. Based on the relevant stipulations of the CPC Central Committee and the State Council, we should adopt down-to-earth and effective measures to put a stop to those unhealthy tendencies, and we should by no means allow any actions against the specific laws and prohibitions concerned.

We should follow correct policies in rectifying the unhealthy practices. As for people who made mistakes in the reform for lack of experience or proper understanding of the relevant policies, we should stress educating them and have them draw lessons. Where a unit or small group has obtained gains by illegal means, the ill-gotten income should be confiscated and, in serious cases, due punishments meted out to those responsible. As for those who violate the law and discipline and engage in embezzlement or other malfeasance for selfish ends by taking advantage of the reform, we must in no case tolerate them, but must investigate their cases and have them severely punished. We must continue our effort to crack down on serious economic and other crimes. At the same time, we should promote to important positions outstanding workers and other employees who strictly observe discipline and work diligently and who are capable and have made significant contributions; and we should protect and commend all those who are bold in exposing unhealthy tendencies. Only then, will a favourable social environment characterized by stability, unity, and strict discipline for the current reform come into being.

Comrade Deng Xiaoping has recently pointed out that in building the four modernizations, "special stress should be laid on ideals and a strong sense of discipline." In order to effectively rectify the new unhealthy tendencies, we must enforce discipline and resolutely implement the policies and stipulations of the CPC Central Committee and the State Council while strengthening ideological education and setting up the lofty ideals of serving the people heart and soul. Concerning discipline, it is out of the question to talk about any "flexibility," "loosening the bonds," or "discount." Those who still disregard the law and prohibitions, who feign compliance and go their own way, must be severely dealt with, and the responsibilities of the leadership will be investigated and held accountable.

#### 4. Leadership At All Levels Should Improve Their Work Style and Promptly Study the New Conditions and Solve New Problems Emerging in the Current Reform

Reform is a trail-blazing work. We have no ready models to follow; and we need to boldly explore and create in practice. Leading cadres at all levels must be determined to go out of their offices, to plunge into the realities of life, and to conduct meticulous investigation and research, so that our various plans, measures, and methods may be set up on a practical and feasible basis. It is necessary to promote telling the truth, doing practical work, and solving practical problems in a down-to-earth way, and to regard this as a key question in changing the style of thinking and work style of cadres at all levels at present. It is necessary to tell the truth and to oppose telling lies. Things should be reported as they really are; we should say right if they are right, and wrong if otherwise. There should be no exaggeration of successes, no minimizing of shortcomings, and no covering up of mistakes. We should not boast of things which we are not sure of, and by no means should we practice fraud or resort to deception for personal gains. In order to encourage and support those who tell the truth, we must be strict and impartial in differentiating merits from mistakes, and in meting out rewards and punishments, and we should not let those who tell lies gain extra advantage by

unfair means. The "three no's principle" [no labelling, no attacking with big sticks, no seizing on mistakes] must be persisted in; and the malpractices of framing up and retaliation must be opposed, so that a favorable social atmosphere for daring to tell the truth may come into being.

We should stress here that governments at all levels and all functional departments must earnestly implement the "Decision of the CPC Central Committee on the Reform of the Economic Structure," simplify administration and decentralize power, and bring into full play the function of economic management. Comrade Hu Yaobang has pointed out: "The decision of the central authorities on the reform of the economic structure has stipulated eight functions of economic management by government organs; summing up, they mean 'rendering services'." According to Marxist tenets and the laws that govern social development, it is impossible for the government to take charge of all social affairs which are getting more and more complicated with each passing day. They should be gradually turned over to the charge of society, and all activities should be conducted in accordance with the laws and regulations. The functions of the government, in particular those of economic management, will inevitably give more and more expression to their nature of "rendering services." Therefore, governments at all levels must adapt themselves to the needs of the reform of the economic structure, and shift their entire work in a down-to-earth way onto the track of serving production development, serving the grassroots units and enterprises, and serving the prosperity of the state and the prosperity and happiness of the people.

The "Law on Regional Autonomy" adopted by the Second Session of the Sixth NPC is of great significance to completing and perfecting the regional autonomy system and to developing the economic and cultural construction of minority nationality regions. The people's governments at all levels must further publicize it in depth and implement it in earnest. We should start from the actual conditions of various localities, make full use of the autonomy endowed by the "Law on Regional Autonomy" and adopt various effective measures to develop the economic construction and cultural and educational undertakings of the nationality regions in a big way and to promote the development of the reform of the economic structure and all construction undertakings of the region.

Fellow deputies!

The year 1985 is the key year for the reform of the economic structure with the cities as the focus. The tasks confronting the people of all nationalities in the region are glorious but arduous. So long as we possess the indomitable spirit of blazing new trails, an attitude of being good at referring to, and modestly learning advanced experiences, and the unswerving determination to rouse ourselves to make the country prosperous, and do our work in a down-to-earth manner, we are sure to overcome the difficulties in our progress, to dispel the interferences in the course of the reform, to fulfill the target of winning the first battle, and to consolidate and develop the excellent situation of our region!

CSO: 4006/735



PROVINCIAL AFFAIRS

XINJIANG LEADER INSPECTS YILI AUTONOMOUS PREFECTURE

HK210233 Urumqi Xinjiang Regional Service in Mandarin 0100 GMT 21 Jun 85

[Excerpts] According to XINJIANG RIBAO, after inspecting work in the Yili Kazakh Autonomous Prefecture, Xinjiang Regional CPC Committee First Secretary Wang Enmao stressed that the prefecture must seriously implement the important instructions delivered by General Secretary Hu Yaobang and Premier Zhao Ziyang during their inspections there in 1983, further improve work, and ensure that it advances in the front ranks of the whole region in economic construction and all other work.

Comrade Wang Enmao carried out inspections in Xinyuan, Gongliu, Tekesi, Zhaosu, and Huocheng counties, Chabuchaer Xibo Autonomous County, and Yining City from 12 to 18 June. He also visited the PLA units and the 4th Agricultural Division of the Xinjiang Production and Construction Corps. He toured factories, villages, and township enterprises, and visited specialized households and poor households, chatted with workers and peasants, listened to reports from various units, and extended regards to the national defense and agricultural reclamation units.

This was Comrade Wang Enmao's sixth visit to the autonomous prefecture he was transferred back to work in Xinjiang. [passage omitted]

Comrade Wang Enmao stressed the following points regarding future work and construction in the prefecture in light of the new situations and problems he came to know of during his inspection:

1. Nationality unity must be strengthened year by year, and the political situation of stability and unity must be consolidated and developed year by year. This is the premise and the basis for making a success of economic construction and all other work in the Yili Kazakh Autonomous Prefecture. This must never be forgotten. It is essential to ceaselessly grasp nationality unity and unity in all other aspects. [passage omitted]

Apart from promoting unity between the Hans and the minority nationalities, it is also necessary to promote unity between the minority nationalities and within nationalities.

2. Resolutely implement the line, principles, and policies since the 3d Plenary Session of the 11th Central Committee and continuously grasp the building of socialist modernization as the priority task. [passage omitted]

3. Vigorously develop culture and education and cultivate talented people. The four modernizations cannot be accomplished without knowledge and without science and technology personnel. [passage omitted]

4. The regimental farms of the production and construction corps and the localities must support each other and develop together.

Comrade Wang Enmao also put forward specific demands on how the autonomous prefecture should continue to strengthen border defense construction, improve the people's living standards on the basis of continually developing production, and make a thorough success of party rectification.

CSO: 4006/734



PROVINCIAL AFFAIRS

XINJIANG ISSUES CIRCULAR ON CONTROL OF AUDIO, VIDEO PRODUCTS

HK240839 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 Jun 85

[Excerpts] The regional broadcasting and television department, the regional public security department, and the regional industrial and commercial administrative bureau recently jointly issued a circular demanding that all places implement the regulations of the State Council on strictly prohibiting pornographic articles, seriously straighten out audio and video products, and strengthen control over audio and video products.

The circular demands: In June and July, all places must concentrate their energy on investigating and straightening out audio and video products and audio and video playback facilities. Broadcasting and television departments and the departments in charge of this work in all places must seriously do well the work of investigation and rectification. On the basis of market management, the industrial and commercial administrative departments must inspect videotape playback facilities and audio and video products and deal with their problems. Public security departments must investigate and punish unlawful practices and crimes of smuggling, making, peddling, and showing pornographic videotapes. Cultural departments must strengthen the management over public cultural and entertainment spots.

The circular demands: All places must seriously inspect and straighten out videotapes and must stress the inspection of the videotape playback facilities, as well as the videotapes possessed by those facilities operating without approval or business licenses. Those who surrender pornographic videotapes of their own initiative can be leniently dealt with or their responsibility will not be investigated and affixed. Those who conceal pornographic videotapes will be severely punished once they are discovered. Party and government organs, people's organizations, enterprises, and institutions which are in possession of video products must rectify and inspect their video products in June and July. [passage omitted]

In conclusion, the circular points out: In accordance with the relevant regulations of the State Council, all audio and video products distributed and sold must be published by the audio and video product publishing units approved by the state. In the future, those which are not audio and video publishing units approved by the state are not allowed to duplicate audio and video products without authority or to exchange and sell these products. The videotapes whose

showing is approved will be provided by the audio and video product management department of the Xinjiang Broadcasting and Television Department or the designated units.

CSO: 4006/734

AGGREGATE ECONOMIC DATA

NATIONAL ECONOMIC STATISTICAL DATA FOR 1984

Beijing TONGJI [STATISTICS] in Chinese No 2, 17 Feb 85 pp 45-49

[Tables: "National Economic Statistical Data"]

[Text] Table 1. Industry, Communications, and Production, January-December 1984

	Unit	Quantity		Jan-Dec 84	Dec 1984
		Jan-Dec 1984	Dec 1984	% of same period last year	% of same period last year
I. Total Industrial Output Value	100 million yuan	7,001.5	654.9	113.6	120.4
Light industry	100 million yuan	3,468.4	351.8	113.4	122.8
Heavy industry	100 million yuan	3,533.1	303.1	113.8	117.7
II. Major Products					
Output					
Bicycles	10,000 units	2,856.96	270.30	103.6	109.9
Sewing machines	10,000 units	931.58	75.82	85.7	83.4
Watches	10,000 units	3,653.9	322.7	105.1	115.1
Television sets	10,000 sets	996.39	102.76	145.7	125.9
Radios	10,000 sets	2,186.28	137.93	109.4	68.7
Household washing machines	10,000 units	578.37	64.12	158.1	202.6
Cameras	10,000 units	126.78	12.38	137.0	173.1
Electric fans	10,000 units	1,746.71	151.32	167.0	206.4
Household refrigerators	Units	537,337	77,440	285.1	371.5
Chemical fibers	10,000 tons	72.57	6.96	134.2	142.6
Of which:					
Synthetic fibers	10,000 tons	56.68	5.47	141.0	161.8
Yarn	10,000 tons	322.17	27.18	98.5	106.0
Cloth	100 million meters	133.86	10.74	90.0	94.7
Silk	10,000 tons	3.64	0.34	98.8	109.2
Silk fabrics	100 million meters	11.37	1.03	113.8	117.4

[Table continued on following page]

Wool fabrics	10,000 meters	17,519	1,634	122.6	124.1
Knitting wool	10,000 tons	10.79	0.91	105.7	109.7
Sugar	10,000 tons	374.04	82.50	99.2	133.5
Crude salt	10,000 tons	1,627.9	58.6	100.9	101.2
Cigarettes	10,000 cases	2,125.0	220.5	109.6	112.9
Beer	10,000 tons	219.11	10.32	134.4	140.0
Machinemade paper and cardboard	10,000 tons	713.69	60.01	108.0	111.5
Synthetic detergent	10,000 tons	80.64	4.24	119.1	137.8
Light bulbs	100 million units	13.92	1.19	111.3	110.3
Raw coal	10,000 tons	77,164.4	7,186.9	108.0	110.1
Crude oil	10,000 tons	11,453.3	1,004.0	108.0	109.5
Natural gas	100 million cubic meters	124.15	11.37	101.7	125.6
Electricity	100 million kwh	3,745.6	333.4	106.6	107.5
of which:	100 million kwh				
Hydroelectricity		854.9	59.3	99.0	97.9
Pig iron	10,000 tons	4,007.6	334.2	107.2	106.7
Steel	10,000 tons	4,336.6	346.3	108.4	108.4
Rolled steel	10,000 tons	3,371.23	259.44	109.7	111.2
Coke (machinemade)	10,000 tons	3,615.09	306.60	104.8	102.7
Sulphuric acid	10,000 tons	812.82	53.74	93.5	75.5
Soda ash	10,000 tons	188.26	15.27	105.0	103.3
Caustic soda	10,000 tons	222.12	17.88	104.6	104.1
Ethylene	10,000 tons	64.75	6.21	99.1	106.2
Synthetic ammonia	10,000 tons	1,838.69	153.89	109.6	107.1
Chemical fertilizer	10,000 tons	1,481.60	115.95	107.5	100.6
Chemical medicine	10,000 tons	5.60	0.38	116.6	94.5
Chemical insecti- cides	10,000 tons	30.87	1.59	93.2	93.0
Rubber tires	10,000 units	1,534.50	84.20	120.7	107.4
Plastics	10,000 tons	115.69	9.38	103.2	103.1
Timber*	10,000 m <sup>3</sup>	2,183	225	98.9	116.0
Plywood	10,000 m <sup>3</sup>	138.21	11.24	99.5	122.2
Cement	10,000 tons	12,107.8	1,018.3	111.8	111.8
Plate glass	10,000 stan- dard cases	4,736.56	469.86	113.7	127.9
Mining equipment	10,000 tons	22.90	2.00	113.6	138.9
Power generating equipment	10,000 kw	456.13	102.07	169.8	115.4
Metal-cutting lathes	10,000 units	13.14	1.07	108.6	105.9
Motor vehicles	10,000 units	31.45	2.86	131.2	163.4
Tractors	10,000 units	3.97	0.20	107.3	181.8
Walking tractors	10,000 units	67.05	4.32	134.7	154.3
Locomotives	Unit	658	52	111.7	148.6
Internal combus- tion engines	10,000 hp	3,980.5	264.2	137.3	149.4

[Table continued on following page]

III. Communication and  
Transportation

Railway freight volume	100 million tons	12.12	1.00	104.4	101.1
Freight volume handled by ships directly under Ministry of Communications	100 million tons	1.70	0.14	109.3	101.4

\* Timber output only includes figures from the northeastern forest zones and the Nei Mongol forest zones.

Table 2. Technical and Economic Index of Production of Major Industrial Products by Key Enterprises, January-November 1984

Item	Unit	Jan-Nov	Increase-decrease over same period last year
Coal: Contents of commercial coal ash	%	20.05	-0.49
Rate of rock waste in commercial coal	%	0.40	-0.01
Raw coal comprehensive power consumption	kwh/ton	36.28	0.36
Coal washing recovery rate	%	54.45	0.32
Average monthly output from extraction surface	ton/unit/month	11,539	380
Crude Oil:			
Rate of water contents in crude oil shipped out from oilfield	%	0.34	0.02
Wastage of crude oil in coalfield	%	2.26	-0.04
Oil well utilization rate	%	92.81	0.95
Electricity:			
Cycle qualified rate	%	98.37	1.48
Line damage rate	%	8.09	-0.23
Iron and Steel:			
Concentrate grade of iron	%	62.04	-0.11
Coefficient of blast furnace utilization	ton/m <sup>3</sup> . day-night	1.653	0.06
Coefficient of open hearth furnace utilization	ton/m <sup>3</sup> . day-night	9.63	0.77
Coefficient of electric furnace	ton/1 million volt-ampere. day/night	18.29	0.11
Coefficient of top-blown converter utilization	ton/nominal ton. day-night	20.42	2.3

[Table continued on following page]

Chemical Industry:			
High-pressure poly-ethylene	%	98.74	0.28
Ordinary calcium consumption of phosphorus rock	kg/ton	3,682	-27
High-pressure polyethylene consumption of ethylene	kg/ton	1,051	-3
Building Materials:			
Cement kiln operating rate	%	83.87	-0.01
Plate glass top-quality rate	%	82.82	0.65
Plate glass consumption of soda ash	kg/weight box	9.91	0.01
Machinery:			
Reject rate of cast iron work	%	7.3	-0.7
Coke consumption of metal furnace charge of copula furnace	kg/ton	121.9	-4.1
Textiles:			
Viscose fiber quality goods rate	%	99.18	0.54
Polyester fiber quality goods rate	%	99.40	0.41
Cotton yarn quality rate above first grade and first class	%	99.03	0.34
First-quality rate of cotton cloth put in storage	%	95.81	-0.06
Hourly yarn output per 1,000 spindles	kg	23.25	-0.77
Hourly output of cotton cloth loom per unit	meter	3.70	-0.17
Light Industry:			
Light bulbs comprehensive qualified rate	%	93.22	0.22
First-class quality rate of fine aluminium pots	%	73.85	3.24
Newsprint electricity consumption	kwh/ton	535	11
Pig iron consumption of household sewing machines	kg/unit	31.7	-0.27
Rolled steel consumption of standard bicycles	kg/unit	26.56	0.16
Timber:			
First- and second-class quality rate of plywood	%	88.6	-0.2
First- and second-class quality rate of fiber boards	%	87.1	0.1

[Table continued on following page]

Railway Communication:

Average daily output of freight locomotives	10,000-ton-km	74.4	1.5
Rate of harbor loading-unloading machines in good condition	%	86.9	0.3
Output of seagoing vessels per ton/vessel	ton-nautical mile	22,180	1,741
Output of Chang Jiang barges per ton/vessel	ton-km	14,824	77

Table 3. Commodity Supply in Urban and Rural Retail Market, January-December 1984

	Unit	Absolute Figures		Growth Rate	
		1984 Jan-Dec	Of which: Dec	Jan-Dec 84 % of same period last year	Of which: Dec
Total value of retail sales	100 million yuan	3,175.0	364.5	116.9	129.3
Of which: value of retail sales of consumer goods	100 million yuan	2,698.0	326.4	117.7	130.8
Sales volume of major commodities					
Hogs	10,000 head	11,485.6	1,078.0	93.0	86.2
Fresh eggs	10,000 dan	1,267.8	89.2	114.5	128.0
Aquatic products	10,000 tons	144.9	13.4	87.5	75.7
Salt	10,000 tons	935.0	91.7	101.5	101.1
Sugar	10,000 tons	465.0	42.0	109.5	103.7
Cigarettes	10,000 cases	2,042.4	179.6	111.6	106.6
Wine	10,000 tons	397.2	31.2	106.1	97.8
Cotton cloth	100 million m	49.5	6.3	94.8	114.5
Cotton-chemical fiber blend cloth	100 million m	25.7	2.2	93.8	91.7
Chemical fiber cloth	100 million m	9.1	1.0	104.6	100.0
Matches	10,000 pieces	2,415.4	202.9	101.4	95.6
Soap	10,000 cases	4,436.3	382.5	106.6	97.9
Powder soap	10,000 tons	57.1	5.1	117.5	130.8
Thermos bottles	10,000 units	11,147.4	1,312.0	110.0	118.8
Sewing machines	10,000 units	824.0	88.7	105.6	111.7
Wristwatches	10,000 units	3,696.9	376.1	123.1	156.1
Bicycles	10,000 units	2,211.0	198.8	108.2	107.1
Transistor radios	10,000 sets	1,504.2	157.6	88.2	100.0
Television sets	10,000 sets	692.2	76.7	150.1	167.8

Note: Total value of retail sales does not include value of retail sales by peasants to non-agricultural residents. Sales volume of major commodities represents figures of state-run and supply and marketing cooperative commerce.

Table 4. Purchase, Export and Import of Commodities by State Commerce and Supply and Marketing Cooperatives, January-December 1984

		Absolute Figures		Growth Rate	
		1984	Of which:	Jan-Dec 84 % of same period last year	Of which:
	Unit	Jan-Dec	Dec		Dec
Total amount of domestic net purchase	100 million yuan	3,115.4	374.6	108.3	115.9
Purchase volume of major commodities:					
Hogs	10,000 head	12,533.3	1,479.0	99.3	102.5
Fresh eggs	10,000 dan	1,738.1	65.5	114.0	134.8
Aquatic products	10,000 dan	164.5	14.0	85.5	65.7
Salt	10,000 tons	979.1	108.0	99.1	114.0
Sugar	10,000 tons	341.7	69.6	97.9	130.1
Cigarettes	10,000 cases	1,971.0	223.3	109.8	110.9
Wine	10,000 tons	382.5	32.2	103.4	84.7
Cotton cloth	100 million m	48.0	5.2	65.9	74.3
Cotton-chemical fiber blend cloth	100 million m	29.7	2.3	90.3	76.7
Chemical fiber cloth	100 million m	10.1	0.9	112.2	90.0
Matches	10,000 pieces	2,583.0	180.4	102.6	90.9
Soap	10,000 cases	3,942.8	305.6	110.2	98.4
Powder soap	10,000 tons	61.0	3.7	116.6	127.6
Thermos bottles	10,000 units	12,400.6	1,279.0	102.2	111.8
Sewing machines	10,000 units	798.2	71.4	94.3	80.2
Wristwatches	10,000 units	3,524.2	406.6	113.6	119.1
Bicycles	10,000 units	2,296.7	230.0	105.1	108.4
Transistor radios	10,000 sets	1,447.0	125.3	104.9	66.3
Television sets	10,000 sets	660.0	68.1	150.3	110.2
Total export and import value	100 million yuan	1,185	163.8	137.8	164.9
(1) Total export value	\$100 million	537.7	62.1	123.3	129.7
(1) Total export value	100 million yuan	577	73.4	131.8	146.3
(2) Total import value	\$100 million	262.0	27.8	117.9	115.8
(2) Total import value	100 million yuan	608	90.4	144.1	183.9
(2) Total import value	\$100 million	275.7	34.3	128.9	143.7

Note: Total export and import value was based on telegraphic figures from statistics of the customs. Total value figures in RMB was based on U.S. dollar conversion.

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CSO: 4006/671



## REFORM OF INDUSTRIAL STATISTICS FOR 1985 DISCUSSED

Beijing TONGJI [STATISTICS] in Chinese No 2, 17 Feb 85 pp 12-14

[Article by Chen Zhenyu [7115 2182 5940]: "Vigorously Make Reform of Industrial Statistics for 1985 a Success"]

[Text] Now, the tide of structural reform and opening to the world is sweeping across the country and reform in the social, economic and statistical fields is developing in depth. How should reform in industrial statistics be carried out? This is a new task confronting us and also a point of departure for arranging our work from now on. We plan to do it in the following three steps in compliance with the guidelines of the National Statistical Work Conference held in September 1984: The first step is to study and reform in 1985 several questions urgently in need of a solution at present. The second step is to carry out a more comprehensive and systematic reform of industrial statistics in the course of the Second National Industrial General Survey: It is necessary to set up a more complete industrial statistical index system and link up the major indices of production, supply and marketing and manpower and financial and material resources to form a whole so as to comprehensively give a full view of the process of industrial reproduction and technical progress, economic results and the quality of workers and staff members and so forth; in statistical standards, it is necessary to revise the standardized classification of industrial departments and the standardized classification of industrial products and draw up the standardization coding to identify regions, professions and trades, products and enterprises and the more than 10 catalogs classifying industries; with regard to the methods of investigation, it is necessary to differentiate different types of industrial enterprises and units, draw up different tables and forms and formulate a set of indirect estimate measures for individual industries and industries run by villages (teams) in utilizing data prepared by pertinent departments; in the realm of modernizing data processing, it is necessary to undertake super data collection by comprehensively using electronic computers; it is necessary to consolidate and strengthen the basic work in enterprise statistics through enterprise consolidation and the promotion of the economic responsibility system within enterprises and the preparatory work for industrial general survey and set up a job responsibility system with emphasis on ensuring the quality of data; in statistical services, it is necessary to strengthen data processing in depth, develop analytical studies and economic forecasting and expand the service scope of industrial

statistics. The third step is to make a good job of reforming industrial statistics continually after the Second National Industrial General Survey and strive to achieve modernization of industrial statistics.

It is planned that the following several tasks relating to industrial statistics be done well in 1985.

#### I. Conscientiously Implementing the 1984 Industrial Statistical Report and the 1985 System of Periodical Report Forms

Compared with the preceding year, this system of report forms contains mainly the following revisions: 1) report forms and indexes reflecting pertinent structural reforms have been added; 2) the statistical system on industrial economic results has been revised; 3) some report forms and indexes have been reduced in accordance with the changes in industrial economic development; 4) different methods of investigation are to be adopted to cope with the different enterprise scales and modes of operations; and 5) the method of computing total output value and net output value based on current prices is to be improved.

As a whole, in spite of the fact that the workload of the 1984 annual report increased to a certain degree and the workload in preparing the 1985 periodical report forms decreased somewhat, the balance between the increase and decrease in workload shows that the workload has increased and the newly increased portion of work is more difficult. After the system of statistical report forms is revised, it can basically reflect the progress of the current economic reform and take care of the actual situation in which the statistical forces at all levels are found to be weak at present.

#### II. Further Giving Play to the Service and Supervisory Role of Industrial Statistics

We must make full use of existing statistical data, develop investigation and study in depth, earnestly reflect new situations and new problems in industrial economy and further give play to the service and supervisory role of industrial statistics. The questions that should be investigated and studied at present are:

1. In the course of structural reform, what new changes have taken place in industrial economic results? Has synchronous increase been materialized in industrial production together with the sales of products and tax from profit? Has new progress been made in turning loss into profit?
2. After the second step of having every enterprise pay taxes to the state instead of delivering profits is implemented, what further changes are there in the relations of distribution between the state, the enterprises and workers and staff members?
3. What effect has the technical transformation of existing enterprises had on the development of industrial production and the improvement of economic results?

4. What further changes have taken place with respect to the ratio within industry itself, between heavy and light industries and between the energy industry and the raw material industry and processing industry? What new measures have been adopted in increasing production and conservation energy? What are the changes in the mix of energy-conserving and energy-consuming products and equipment structures? What are the changes involving electronic products and appliances that sell well and the food and fodder industries?

5. What are the changes in village-township industries?

6. What is the impact of the rise or decline of the actual selling price of heavy industrial products on industrial production and the national economy?

7. What new situations have cropped up in the course of industrial reorganization and integration?

8. What new developments have resulted in industrial production of cities open to the outside world and in SEZ's? What progress have the enterprises operated by foreign capital and Chinese-foreign joint ventures made?

### III. Continually Carrying out Reform of the Industrial Statistical Methods and System

The questions on how to reform the methods in the system at present are primarily:

1. The method of drawing up the price index of industrial products;
2. Improving the method of computing the net output value and on how to eliminate price impact;
3. The method of computing the income of the state, enterprises and workers and staff members in relation to the increased amount of tax of industrial enterprises in place of profit delivery;
4. The scope of village-township industrial statistics and the method of obtaining data from industries run by villages (teams), cooperative industries and individual industries;
5. The establishing of a statistical report forms system in Chinese-foreign joint ventures and industrial enterprises operated by foreign capital;
6. The degree of influence of scientific and technological progress on the increase in industrial production;
7. The method of differentiating labor-intensive, capital-intensive, technology-intensive and knowledge-intensive industry.
8. The statistical method of economic and technical cooperation and support among regions.

Reforming the industrial statistical methods and system is a very complex and painstaking task involving the theoretical question of social economy and planned statistics and also the numerous complex real questions in actual economic life. To do this job well, it is hoped that the industrial statistical departments at all levels rely on teachers of financial and economic institutes and comrades with theoretical training and practical experience and organize them to engage in investigation and study and probe problems so as to find a more realistic solution.

#### IV. Actively Promoting Use of Computers for Super Data Collection

Coordinating with computer centers and actively promoting the experiences of Shanghai, Shaanxi, and the Ministry of Machine-Building Industry to encourage more provinces, autonomous regions, and municipalities to utilize computers to collect data for the 1984 industrial yearbook--this will serve not only to increase the depth of processing of statistical data, develop analytical research, and improve services; it may also provide a base of experience in comprehensive super data collection for the second national industry survey.

#### V. Coordinating With Industrial General Survey Offices at All Levels and Conscientiously Carrying Out Various Preparatory Tasks for Industrial General Survey

Since the State Council issued the "Circular on Conscientiously Doing Preparatory Work Well for the Second National Industrial General Survey" in November 1983, the industrial statistical departments at all levels have done a great deal of work in conjunction with the industrial general survey offices and basically fulfilled the experiment on the entire general survey process in Changzhou City in November 1984. After the industrial general survey plan is defined in 1985, concentrated efforts should be made on the following several tasks:

1. Industrial general survey study classes should be sponsored at all levels from top to bottom to do a good job in training cadres for the general survey, this is a key measure of ensuring the quality of the general survey data.
2. Making a good job of testing the general survey in selected localities on two occasions: The first experiment at selected localities is to let the industrial general survey leading groups in various provinces, autonomous regions and directly subordinate municipalities organize comrades of prefectural, municipal and county industrial general survey offices in the respective regions and assemble them to conduct the experiment in a selected municipality or county so as to gain experience of leading industrial general survey work by Grade One organizations in provinces, autonomous regions and directly subordinate municipalities; the second experiment at selected localities is to let the industrial general survey leading groups in various municipalities and counties organize comrades of various enterprises concerned and send them to conduct tests in one or several enterprises so as to gain the experience of leading industrial general surveys by municipal and county level organizations.

Meanwhile, it is necessary to select some typical enterprises by differentiating professional and trade categories and selected localities and fill out some of the general survey forms and tables so as to obtain some of the urgently needed investigation and statistical data from major professions and trades.

3. Doing a good job of checking on industrial enterprises and units. The scope of checking embraces all industrial enterprises with independent accounting systems and units without independent accounting systems engaged in industrial production; it will not include industries run by villages (teams) and individual industries. The checking point is 31 December 1984.

4. Strengthening the basic work of enterprise accounting management. This is in line with the needs of implementing and perfecting the economic responsibility system and comprehensively raising the level of enterprise operations and management. This work will be jointly arranged in conjunction with the Enterprise Consolidation Office of the State Council.

5. Organizing and establishing industrial general survey organs of the prefectural, municipal and county people's governments and various industrial enterprises.

We must fully realize that it is an unshirkable and glorious task for statistical departments at all levels, especially industrial statistical departments, to make a good job of the National Industrial General Survey in 1986. This is because, first, the scope of investigation of this industrial general survey is very extensive with numerous features of investigation and is of very strong technical and specialized character in operations, and it is very difficult to do a good job without cadres who are familiar with the industrial statistical operations; second, this industrial general survey should be carried out in coordination with reform of industrial statistics. It is an important step toward modernizing industrial statistics, and only by making this general survey a success can we help raise comprehensively the level of industrial statistical work; third, this industrial general survey is to be carried out in coordination with the 1985 industrial statistical annual report. The initial consideration is that the 1985 industrial annual report will not be prepared and that the major indexes of this industrial general survey will be used to substitute for the 1985 industrial statistical annual report. To this end, we hope that the statistical departments at all levels will, together with the general survey offices, make concerted efforts and coordinate closely in work to conscientiously do a good job in this industrial general survey.

The year 1985 is a year of extremely burdensome industrial statistical tasks and the last year for preparing the industrial general survey and a year of very arduous tasks. This requires us to make overall plans and take all factors into consideration and rationally arrange for these two tasks and pay attention to handle the relations in these two aspects well. We should realize that this industrial general survey amounts to a big school in steeling and training industrial statistical cadres. Industrial statistical cadres should be organized in a planned and systematic manner to undergo training and grow in this big school so as to create conditions for shifting the experience gained in general survey unto statistical work from this time forward.

ECONOMIC MANAGEMENT

PRC JOURNAL ON FORMATION OF RURAL SHARE COMPANIES

HK270435 Beijing JINGJI GUANLI in Chinese No 5, 5 May 85 pp 22-23, 12

[Article by Zhao Tianzhen [6392 1131 2182]: "An Investigation on Transforming Town and Township Enterprises into Peasants' Joint-stock Enterprises"]

[Text] In 1983, Mian County, Changan, and other areas in Shaanxi reformed their township and town enterprises which had previously been "owned and run by communes or owned and run by brigades," and transformed them into peasants' joint-stock enterprises. By so doing, they have quite effectively solved the problems of turning township and town enterprises from enterprises "run by officials" into enterprises run by the people. This has been well received by the vast number of peasants.

Cause

Transforming the township and town enterprises that were "owned by the three levels of rural organizations" into peasants cooperative joint-stock enterprises is an objective demand of the change and development in our rural economic situation. This demand is mainly shown in the following:

1. Since the implementation of the contract responsibility system with the families as the major unit of operation, there has been no need for the existence of the previous "three levels of ownership" in the people's communes which merge government administration with commune management. What has risen to replace the "three levels of ownership" is the economic entities of various kinds that have their own decisionmaking power and are really independent. Therefore, the old kind of management system is not suited to the township and town enterprises that were set up on the basis of the "three levels of ownership." For example, as the organization of brigades and production teams have already disappeared in many areas as the basic accounting units have changed and the role of work points has been universally reduced, the system of "peasants working in factories but being paid in production teams and accounts being settled between factories and production teams" can hardly be suited to the changed situation unless it undergoes a reform.

2. In the past, when an enterprise was set up, the necessary staff and workers were recruited proportionally from various production teams and received their labor remuneration at the end of the year according to their work points. Now a household is an accounting unit and work points are no longer the criteria of remuneration. How should the enterprise distribute its profit among the various villages and households who are its owners? If this problem is not solved, our township and town enterprises will become enterprises owned by the staff and workers of the enterprises and this will be a practice that deviates from the original principle of the whole commune and all the brigades and production teams running the enterprises.

3. Since we streamlined our administration and decentralized our power, in order to follow the path of specialization and socialization, our township and town enterprises should necessarily carry out cooperation and coordination with peasant family factories, cooperative factories, and state-owned enterprises and units in the fields of funds, resources, technology and labor force. Under this situation, if we fail to solve the problem of turning our township and town enterprises from enterprises "run by officials" into enterprises run by the people, the vast number of peasants will not be concerned about or support this cooperation and coordination.

4. During the reform in our rural structure, in order to readjust the division of administrative areas and the scale of production, some areas have implemented a system of large districts and small townships. The enterprises that were formerly run by communes and brigades, including a number of farms, herb medicine farms, livestock farms, and forest farms, have correspondingly been given to various townships. This has raised the problem of the reform to change these enterprises into joint-stock enterprises.

The peasants had no enthusiasm for township and town enterprises, but they were very active in developing specialized households, cooperative factories and family factories. This was mainly because quite a few township and town enterprises had become enterprises that were "run by officials" and were of the "small ownership by the whole people" type, and thus the peasants could not actually benefited from these enterprises. For example, Gaochao Township in Mian country has set up eight enterprises with total fixed assets of 760,000 yuan. Except for 29,000 yuan of investment from the state, all the investment in these enterprises has come from funds accumulated by the peasants. Beginning in 1980, these enterprises earned a total of 460,000 yuan of profits, but only 40,000 yuan of the profits was paid back to the production teams and the workers in these enterprises were paid by the teams.

Through investigation, the secretary of the county CPC Committee learned about this situation and realized that in order to enable our township and town enterprises to develop, we had to thoroughly reform the enterprises that were "run by officials," and return the power and profits back to the people.



## Methods of the Reform

Generally, in the reform to turn "official-run" township and town enterprises into peasants' joint-stock enterprises, we have adopted the methods of issuing shares in exchange for the assets that the collectives contributed to the enterprises. The sole difference is: In most areas, the shares have been issued to peasant households and in a small number of areas, the shares have been issued to production teams.

For example, through verifying and checking the assets and capital of the township and town enterprises, Mian county has turned the capital of these enterprises into shares and given 40-60 percent of the shares to peasant households (no share certificate is given to their quota of child births) in proportion to population and thus made these households into shareholders of the enterprises, the rest of the shares are owned by the township economic committees for the public. All the shares in the enterprises run by production teams have been given to the households in the teams. Share certificates have been issued for any share owned by peasants as individuals or owned by the public. Every year 20-30 percent of the profits will be paid to the shareholders as dividends. The share certificates cannot be sold, transferred, mortgaged or given back to the enterprises. The face value of each share is 10 yuan or 100 yuan. After the issuance of the shares, peasant households, collectives and units owned by the whole people are all allowed to subscribe new shares in the enterprises. The new shareholders enjoy the same right to dividends as the old ones. Subject to the articles of association of the enterprises and to the approval of the enterprises, the new shareholders can recover their investment by installments and thus return the shares to the enterprises. Those enterprises that are suffering losses are not to be turned into joint-stock enterprises for the time being.

In Changan County Advance Electric Appliance Factory, the previous brigade formed a reform group to check the debtors', creditors' and assets accounts of the factory and calculate the funds owned by the enterprise after deducting the loans and investment from the state (generally, investment by the state has been turned into shares owned by the public). The figure arrived at by the above calculation was regarded as the base figure for the number of shares. The shares were divided up among the various productive teams in proportion to the number of labor days that the teams had contributed to the factory since its founding. Then the shares were divided up among the commune members in proportion to the labor days that they had actually worked in the teams and share certificates were accordingly issued to these commune members.

Basically, Lunan and Dali counties also adopted the above method. The difference was that these counties only gave shares to the production teams (natural villages) and allowed production teams and villages to jointly own the enterprises. Most of the shares have been divided among these teams and villages in proportion to population or the area of contract responsibility land or in proportion to the number of laborers or to output targets fixed by responsibility contracts. The amount of dividend is limited to



20-30 percent of the profits of the enterprises. The share certificates have been issued to production teams. These areas have the following practices in common:

1. They all regard the capital owned by the enterprises as the base to calculate the share capital and have allowed production teams and villages to own some shares for the public; 2) most of the shares have been issued to households (the most popular method among our peasants) and only a small number of areas have issued the shares to production teams (villages), and at year-end, a certain percentage of the profits is to be paid to shareholders as dividend; 3) shareholders are recognized as the owners of the enterprises and shareholders congresses are organizations of supreme power for the enterprises, thus the ownership by rural political power has been turned into transregional share ownership; 4) no old shareholder is allowed to return shares and recover the investment, but new shareholders can subscribe shares and return them at will subject to the conditions stipulated beforehand; and 5) a board of directors is to be elected by the congress of shareholders of the enterprise and this board employs a competent factory director by all-round management responsibility contract. By so doing, these areas have relatively thoroughly transferred the ownership and distribution and management power over the township and town enterprises to the vast number of peasants and have thus radically overcome the defects that peasants have no right to participate in the management and cannot benefit economically.

#### Advantages

Transforming "official-run" township and town enterprises into peasants' cooperative joint-stock enterprises has been successful. This is mainly shown in the following:

1. This has restored the nature of the enterprises of being run by the local people and implemented the principle of the cooperative economy. It has thus turned the peasants into masters of the enterprises and given play to their initiative in satisfactorily running these enterprises. From an abstract angle, there seems to be nothing wrong in the principle of "communes owning and managing the enterprises and brigades owning and managing the enterprises." However, this in essence fails to embody the desire and the right of our peasants to be masters in running the enterprises. Just as some peasants have complained: "The cadres refuse to relax their firm control and ownership by the peasants is only empty talk." Now the peasants have become shareholders and have the right to elect and dismiss their representatives, to organize the boards, to manage their enterprises, to make decisions on the operation orientation, personnel affairs, and wage distribution in the enterprises, and to supervise all the major activities and administration and management of their enterprises. As a result, the personal interests of our peasants have been linked with the interests of the enterprises and every peasant is concerned about the growth of the enterprise and worries about the results of the enterprise's management. At the first shareholders congress after the Advance Electric Appliance Factory was turned into a joint-stock enterprise, people put forward a

"10-clause" suggestion to the board and to the factory director employed under responsibility contract. After the reform in the forest farm at Liujia Village, Luonan County, the commune members consciously showed concern about the mountain village. Last winter and this spring, they contributed their labor in accordance with their share holding to plant over 70,000 trees of various kinds including tung trees, poplars, pear, mulberry and apple trees, which meant that each person planted more than 100 trees on average, more than they did in any year in the past. In the past, the Gaochao Township Cement Factory in Mian County was "run by officials" and divorced from the people. It is involved in legal disputes with peasants concerning a factory road that passed the land of some peasants. After the reform, the peasants voluntarily allowed the factory to use their land to build the road and there has been a kinsmen relationship between the factory and the people. Since the more than 10 townships in the county began their reform the peasants have taken action to check the accounts and have collected over 400,000 yuan in loans made to the cadres at various levels. The peasants said happily: "The joint-stock enterprises are our own enterprises. We all share in them and have the right to supervise and manage them."

2. The peasants have been paid dividends from the enterprises and the masses of people are enthusiastic about raising funds to help the factories. The peasants said: "In the past, we saw the machines of the factories operating but never received a penny from the factories." Now the joint-stock enterprises have to pay dividends to the peasants annually in accordance with the regulations. For example, at the end of 1983, the Advance Electric Appliance Factory in Changan County paid dividends of 36,000 yuan to the shareholders in accordance with the regulations. The households were paid 193 yuan each on average and the highest dividend for a household was more than 300 yuan. The peasants have actually benefited and their attitude toward the enterprises has also been changed. They have all invested their idle funds in the township and town enterprises, thus boosting the growth of these enterprises.

If our enterprises are imbued with vitality, they will increase their economic results. After the "official-run" system changes, administrative intervention lessens and our enterprises are invigorated and commune members become concerned about their own enterprises. The boards and the groups that undertake all-round responsibilities will then run their enterprises more carefully and improve their administration in order to earn more profits and avoid any loss. By so doing, our enterprises will be full of vitality. In 1983, the rate of increase in profits and output value of all the towns and township enterprises in Mian County was the highest in the whole province. From January to September 1984, their total income had already amounted to 26 million yuan and was doubled in 2 years. In Heying township which did a good job of reform, the output value amounted to 2,040,000 yuan in 1983 and doubled in a year. It leapt to first place in the whole county. Since the implementation of reform, the work force in Changan County Advance Electric Appliance Factory has dropped from 57 people to 37 people, but its output value increased from 409,000 yuan in 1982 to 740,000 yuan in 1983 and its profits increased from 50,000 yuan to 143,000 yuan.

4. Breaking away from the fetters of local and administrative ownership has opened up a new prospect for the town and township enterprises to shift from closed management to open management. Joint-stock enterprises are independent, cooperative economic organizations, which may have a free hand to unite and cooperate with foreign economic units, enabling them to follow the new path of conducting open management. Changan County Advance Electric appliance Factory has already established contact and cooperated with six universities and colleges and state-owned enterprises including the Xian University of Communications and Xian instrument and Meter Plant. The 3 series of 17 kinds of electric appliance products manufactured by it are sold domestically to more than 100 units in 10 provinces and municipalities, some of their products have been exported to Romania. In quite a few areas, a new situation has emerged in which the rural joint-stock enterprises are operating as the backbones and cooperating with specialized households, households doing specialized jobs, and combines. This will play a tremendous role in promoting the development of rural commodity production.

The idea of transforming the town and township enterprises that were "owned by the three levels of rural organizations" into commune members' joint-stock enterprises originated among the vast number of peasants and is a historical progress that has been achieved under the enlightened all-round responsibility system with remuneration linked to output. More than 2 years of practice by 20-odd counties in Shanxi Province has proved that the reform has promoted the development of rural joint-stock enterprises and consolidated the cooperative economy. The orientation of this reform undoubtedly conforms to the principle that "enterprises run by the commune, brigades, and production teams are collective economy."

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ECONOMIC MANAGEMENT

PRC SYMPOSIUM DISCUSSES SOCIALIST PLANNING, MARKET

HK250707 Beijing GUANGMING RIBAO in Chinese 1 Jun 85 p 3

[Article contributed by JINGJI YANJIU Editorial Department: "Discussion on Problems of Planning and the Market in the Socialist Economy"]

[Text] The problem of the relations between planning and the market in our socialist economy is a key issue in the reform of our economic structure. The discussion of this problem in our country's economic circles mainly began after the 3d Plenary Session of the 11th CPC Central Committee. It is a continuation and development of the prolonged discussion of the problems related to the socialist commodity economy and the law of value. The participants in the symposium held that through 6 years of discussion, major progress had been made on this problem. This is mainly shown in the following:

--We have broken the traditional idea that regarded planning and the market as being incompatible with each other and have admitted that planning and the market can be combined in a socialist economy: Moreover, we have raised our understanding of the combination of planning and the market from the level of regarding it as a "hardened combination" to the level of regarding it as a "combination of mutual permeation" and a "compatible combination."

--We have broken the traditional idea that regards mandatory plans as a basic mark of the socialist planned economy, and affirmed the view that implementing a planned economy is not the same as the practice of regarding mandatory plans as the major form of planning and that both mandatory plans and guidance plans are concrete forms of the planned economy.

--We have broken the narrow field of vision that regards the planned management of our national economy as being confined to the mandatory plans and recognized the trend of systematically reducing the scope of mandatory plans and expanding the scope of guidance plans. We have also regarded the application of economic levers as a part of planned management and thus expanded the field of vision of our planned management.

The participants in the symposium held that judging by the breadth and depth of the discussion, the discussion by our economic circles of the problems related to planning and the market in our socialist economy was still at the initial stage. In the future, we should deepen the study of the following problems.

1. Problems related to the regulatory mechanism of the planned commodity economy. Some comrades hold that this mechanism of regulation is an organic combination of an incomplete and direct mechanism of planning and an incomplete market mechanism. It is a combination, in the same sphere but on different levels and to a different extent, of two entirely different regulatory mechanisms. Some comrades held that under the conditions of a planned commodity economy, both the planning mechanism and the market mechanism are established on the foundation of a commodity economy; therefore, combination between them must be a compatible combination like that between milk and water--a combination in which each permeates the other. Others held that the combination of the planning mechanism and that of the market is in essence a combination of forms and contents; therefore, the former resides in the latter. Still others held that the regulatory mechanism of the socialist commodity economy is a planned market mechanism or regulation by the market mechanism under the control of planning. Yet other comrades held that the regulatory mechanism of the planned commodity economy was an organic combination of the regulation of the market mechanism by the state through the application of economic levers and the regulation of the activities of the enterprises by the market mechanism. It seems that in order to solve this problem, we should rely on carrying out concrete research into the problem related to the motion of the socialist commodity economy and should draw a conclusion from the concrete analysis of the motion of the economy.

2. Problems related to the position of mandatory plans in a planned commodity economy. At present most of our comrades admit that the scope of mandatory planning will gradually be reduced over the long run. However, they have different tentative ideas as to the questions of how it is gradually to be reduced and to what extent it will be reduced. The first tentative idea is that though the scope of mandatory plans will gradually be reduced, they should not be abolished and we will continue to rely on them in regulating the major macro-economic proportional relations. The second tentative idea is that the scope of mandatory plans can be reduced to the smallest extent, but that the state should retain its power to apply mandatory plans; for it is impossible for us to commit no mistakes in our economic life and when the situation goes out of control, we can apply mandatory plans as "brakes." The third tentative idea is that we should basically abolish all the mandatory plans that impose material targets except for those related to a small number of products, but there should be a transition period and the following methods should be used: 1) Mandatory plans should first be abolished in the sphere of production and be switched to the sphere of circulation; 2) at present, we allow two kinds of prices for one product and later this practice will gradually be transformed into the practice of allowing only one price for each product; 3) there will be a gradual transition from allowing two channels of regulation to coexist to operating only through the channel of market regulation. There are also some comrades who put forth the idea that it is necessary to make theoretical research into the question related to a "dual system" in which mandatory and nonmandatory plans coexist. Concerning the steps of the reform, we should study the question of how we are to reduce to the minimum extent the losses that may be caused by the conflicts between the two kinds of plans in our "dual system"; and concerning the goal of reform, we should consider the question of whether we should change the "dual system" itself in order to ensure the normal operation of economy.

3. Problems of the relations between macroeconomic control and enterprise vitality. Some comrades have put forth the idea that while affirming that strengthening enterprise vitality is a key link in the reform of our economic structure, we must satisfactorily solve the problems related to the system of controlling macroeconomic balance. We have failed to make sufficient research into this problem. However, if we fail to solve this problem, there will be an imbalance between total supply and total demand and it will also be difficult to really invigorate our enterprises. The key to solving this problem is that first we should establish a scientific and democratic policy decisionmaking system and at the same time we should reform the pattern of our balance, switching from the pattern of mainly striking a material balance of products item by item into the practice of mainly striking an all-round balance. Other comrades put forth the view that the goal of reform should be: The state economic plans should plan the distribution of funds but should not plan the production of products, should administer demand but should not administer supply; and should control the goal, but should not control the process. Still other comrades have put forth the view that the research into the operation of our economy should not stop at the question of "whether it is possible to control," but should closely combine the question of "whether it is possible to control" with that of "whether it is efficient" and should focus on researching into problems relating the efficiency of operation. Concerning problems related to the means for realizing the goal of macroeconomic control, some comrades have put forth the view that while researching into and applying administrative and legislative means, we should focus on researching into the comprehensive application of various kinds of economic levers and should research into the relations among economic mechanisms, economic interests, and economic levers and research into and design a rational deployment of economic levers and thus enable various kinds of economic levers to not only link up with one another in quality (in the orientation of regulation) but also coordinate with one another in quantities (in the extent of regulation).

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ECONOMIC MANAGEMENT

PRC SYMPOSIUM DISCUSSES COMMODITY ECONOMY

HK250855 Beijing GUANGMING RIBAO in Chinese 1 Jun 85 p 3

[Article contributed by JINGJI YANJIU Editorial Department: "Discussion on Problems of the Socialist Commodity Economy"]

[Text] The problems related to the socialist commodity economy are a basic theoretical problem for our socialist political economy and is also a basic problem of practice in our socialist construction. Since the founding of the PRC, our country's economic circles have carried out wide research centered on this problem and there have been several high tides of large-scale discussion. In particular, since the 3d Plenary Session of the 11th CPC Central Committee, our economic circles have taken relatively great steps in breaking away from the fetters of traditional ideas and achieved unprecedented progress. The 3d Plenary Session of the 12th CPC Central Committee made a theoretical summary that the socialist economy is a planned commodity economy on the basis of public ownership and correspondingly and systematically broke the traditional ideas that did not conform to reality. This was not only a scientific summing up of the experience of our practice of socialist construction, but also a crystallization of the achievements of the research into socialist economic theory. The participants to the symposium summed up the progress made on the theory concerning this problem as follows:

--We have affirmed that commodity nature of our socialist economy. This provides theoretical grounds for the whole society to carry out production and circulation in accordance with the principles of the commodity economy.

--We have confirmed that a socialist planned economy is a planned commodity economy. This has clearly pointed out that the implementation of a planned economy and the development of the commodity economy and application of the law of value are not in conflict but are in unity.

--We have affirmed that the full development of the commodity economy is a stage which cannot be bypassed in the development of the socialist economy. This shows that vigorously developing the commodity economy is an important means and necessary condition for the realization of socialist modernization.

--We have affirmed that socialist enterprises owned by the whole people should become relatively independent commodity producers and operators. This will enable the economy owned by the whole people, which occupies a dominant position in our national economy, to have due vitality and vigor.



The participants held that the putting forth of these new theoretical propositions represents important progress in the history of the development of socialist political economy and shows that the research into and discussion of the socialist commodity economy has reached a new level and entered a new period. However, we must realize that not only these theoretical propositions themselves need further efforts to more fully prove them by reasoning and to enrich their contents, but the series of theoretical problems derived from them also need further probing by our economic circles. The participants in the symposium listed the following major research topics:

1. The objective necessity of the commodity nature of the socialist economy. During the discussion, they were of the relatively same opinion that if we view the socialist economy in its totality, the commodity economy continues to be the economic form that best realizes the relations among producers. We will fail to be thorough or to look into the question in an all-sided manner, if we only agree that commodity production and commodity exchange exist in a socialist society but do not agree to the view that socialist economy is a kind of commodity economy. However, regarding the question of how we are to expound on the reasons for the commodity nature of our socialist economy, in particular, the reason for the existence of commodity and currency relations in the economy owned by the whole people, no roughly identical view has been accepted by our economic circles and we have to deepen our discussion and research.

2. The general character of commodity economy and the specific character of the socialist commodity economy. During the discussion, all participants were of relatively the same view that there are essential differences as well as commonalities between the socialist commodity economy and the commodity economy in other periods of the development of human society. However, our economic circles differ in their understanding of and have to carry out further research into the questions of how we are to understand the common nature and different essence of the socialist commodity economy and the commodity economy under other social conditions, what economic and social consequences the development of the commodity economy may bring about, how we are to make our society perform its ensurance functions under conditions of a socialist commodity economy, whether there are necessary relations between the commodity economy and commodity fetishism, how large is the scope of socialist commodities, whether labor force, land, and mineral deposits are commodities, and so on.

3. The relations between the commodity economy and the planned economy. During the discussion, a relatively identical view was arrived at on the unity between developing the commodity economy and conducting a planned economy in a socialist society. But the economic circles have not yet reached identical views on and have to make further research into the questions of how this unity of the relations between the two should be concretely described and expounded on and how principles of the commodity economy should be combined with the principles of the planned economy.

4. The meaning and the mark of the "relative independence" of our enterprises owned by the whole people. During the discussion, a relatively identical view was arrived at that it is necessary to turn our enterprises into relatively independent economic entities and into socialist commodity producers and operators



that have decisionmaking powers over their operations and that shoulder sole responsibility for their own profits and losses. However, further research and discussion is necessary to answer the questions of how we are to understand the meaning of the "relative independence," what marks the granting of decision-making power to our enterprises and how much decisionmaking power should be stipulated as the power to be transferred to the enterprises, whether the enterprises should have the decisionmaking power over their investment policies in addition to the decisionmaking power over their production and operation, and whether the risk of investment should be undertaken by the state or the enterprises or by both of them jointly.

5. The scope of the socialist market. During the discussion, a relatively identical view was arrived at that in order to meet the demands for the development of the socialist commodity economy, in addition to commodity markets, we should also open up many new and wide sections of the market. At present, people have already mentioned the financial market, technology market, information market, and labor service market. However the views of our economic circles differed in many ways and it was necessary to make further research into the questions of to what extent we had to open up our financial markets, whether we could open stock markets and labor markets, and so on.

6. We should also make further research into the question of how we are to concretely design the reforms throughout our entire economic structure and reform in the links of production, circulation and distribution and make it meet the demands of the planned commodity economy.

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ECONOMIC MANAGEMENT

PRC SYMPOSIUM DISCUSSES DEVELOPMENT STRATEGY

HK251105 Beijing GUANGMING RIBAO in Chinese 8 Jun 85 p 3

[Article contributed by JINGJI YANJIU Editorial Department: "Discussion on Problems of Strategies for Economic and Social Development"]

[Text] Problems relating to the strategy of our economic and social development is a major problem that our country's economic circles have focused on in discussions during the past few years. Centered on this problem, our economic circles have carried out relatively wide research into the problems related to the connotation of the development strategy, the strategic guiding thoughts, the system of strategic goals and targets, the criteria to assess the strategy, the pattern of development strategy, the strategy for the new technological revolution and development, and the strategy for the whole and for parts. We have thus scored certain achievements in theory and played a role in pushing forward the readjustment and reform of our national economy.

The research into the strategies for economic and social development involves many branches of social and natural sciences and is a comprehensive research in which many branches of science overlap. The participants in the symposium held that from an economic point of view it is necessary to continue to carry out research into the following aspects of the problems of the strategies for economic and social development.

1. The pattern of development strategy. The question of whether our development strategy should be a two-in-one strategy for the development of the economy and society or a three-in-one strategy for the development of the economy, society, and science and technology remains to be solved. Some comrades point out that in our era, the factor of science and technology plays a very important role in formulating our development strategy. The situation of science and technology not only has a direct impact on and changes the various factors of the productive forces, but also has an impact on and promotes the reform in our relations of production, superstructure, and social life. The level of development of science and technology restricts our overall development strategy. Therefore, our development strategy should put the development of science and technology in an important position, fully absorb the achievements of the development of science and technology of our era, and fully utilize these achievements to push forward our economic and social development.

2. Goal of development strategy. During the discussion, a relative identical view was that regarding a single index of the annual gross industrial and agricultural output value as our development strategic goal is not scientific enough, as this index can be relatively misleading and cannot exactly reflect the true level of social and economic development and as this target is apt to give rise to the undesirable trend of merely pursuing rapid growth, pursuing a quadrupling everywhere and pursuing a quadrupling ahead of schedule. However, the question of how we are to use a scientific, simple and clear comprehensive system of indexes to embody the goal of our development strategy remains to be further discussed and probed.

3. The strategic layout under the condition of improving the structure. During the discussion, a relatively identical view was that it is an urgent task to continue to research into and answer the questions of how we are to rationally decide on different production mixes and development orientations in light of the objective conditions of different areas and their respective roles and positions in our socialist modernization, how we are to continue to establish a rational regional economic and technological division of labor, break the vertical separation between various areas, and develop horizontal relations in the process of continuous improvement of our economic structure how we are to decide the functions of different cities and formulate the development strategies for the economic zones with cities as their centers and how we are to divide the whole country into economic zones.

4. Development strategies concerning the new technological revolution. Some comrades hold that all areas in our country that are provided with the necessary conditions can apply the newest technology in the world, skip some traditional development stages, develop rising industries, develop by leaps and bounds and thus implement a strategy of development by leaps and bounds. Other comrades uphold a theory on the step-by-step development of the economy and of technology. In other words, the development application of the new technologies can only be carried out step by step from east to west, from large to medium-sized and small cities and then to rural areas, and from developed to under-developed areas and no leaps or bounds are allowed in the development. It is still necessary to continue to carry out research into and reasoning about these two different development strategies.

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ECONOMIC MANAGEMENT

PRC PAPER ON PLANNED MANAGEMENT, MARKET REGULATION

HK250859 Beijing GUANGMING RIBAO in Chinese 15 Jun 85 p 3

[Article by Tang Guojun [3282 0948 6874]: "Planned Management and Market Regulation in the Broad Sense"]

[Text] Under the condition of the socialist planned commodity economy, planned management in the broad sense is a particular management method of linking organically the various links of production, distribution, exchange, and consumption by various planned management methods and different measures of regulation. Planned management methods in the broad sense include: mandatory plans, guiding plans, and market regulation. The reason market regulation is included in planned management in a broad sense is that the planned commodity economy based on public ownership should be a unified, planned management system; if market regulation is excluded from planned management, market regulation under planned guidance will be easily confused with the market economy characterized by the spontaneous regulation of the market alone. The chief measures of planned management in a broad sense are: planned regulation, regulation by economic levers, and the flexible control of market regulation. Planned regulation means to do a good job, in a comprehensive balance, by using the law of planned development in proportion and the law of value based on the requirements of the basic law that governs the socialist economy. Through a comprehensive balance, a good job should be done in the proportional relationships between the two major categories of the national economy, between accumulation and consumption, and between finance, credit, goods and materials, and foreign currencies; and a good job in the mandatory plan and the readjustment of the structure of the national economy. Regulation by economic levers is placed under planned management. It consciously makes use of the function of the law of value to urge enterprises to do a good job in management and operations and to smoothly fulfill the national plan by means of the economic levers such as prices, taxes, credit, and wages. On the one hand, the law of value will spontaneously play its function of regulation, on the other, we should achieve "invigoration without confusion, good but not rigid control" regarding the measures of planned management, in order to handle well the relationship between demand and supply.

Planned management in a narrow sense is, in essence, planned regulation, and administrative means are adopted in the main. In the current reform of the planned management system, it is precisely to change the unitary planned management in the narrow sense to planned management in the broad sense. A planned

management system which is suitable to the planned commodity economy should not use simple planned regulation to take the place of planned management in the broad sense, neither should it generally use planned management to take the place of planned regulation.

Market regulation in the broad sense is the use of the regulatory function of the law of value by the state through regulation by economic levers under planned management, linking it with the socialist unified market, and a kind of economic activity will function, namely conscious market regulation. Market regulation in the narrow sense is spontaneous market regulation outside the national plan. Under the condition of the socialist planned commodity, market regulation in the broad sense and that in the narrow sense are two aspects of market regulation, both exist in the socialist unified market and both are needed by national construction and the people's livelihood. However, the conscious application of various economic levers in market regulation by the state (namely market regulation in the broad sense) is the major and basic aspect. The state plays the dominant role in market regulation in the broad sense, which is conducted by issuing guiding plans to state-run enterprises, applying such economic levers as prices, taxes, credit, and wages, and the activities of the socialist unified market.

The application of economic levers does not mean planned regulation, but planned management and market regulation in the broad sense.

The mandatory plan in planned management in the broad sense is a plan for important products that have a bearing on the national economy and the people's livelihood and important economic activities that have a bearing on the whole situation. Mandatory plans are compulsory and must be carried out. While the guiding plan in planned management in the broad sense is to regulate production by the application of various economic levers; the importance of the products is secondary; and it is a guidance plan but not compulsory. We should by no means include regulation by various economic levers as part of planned regulation. The regulation of the serious imbalance emerging in the macroscopic economy cannot meet the requirements for realizing a comprehensive balance if only such economic levers as prices, taxes, credit, and wages are applied. The historical experiences since the founding of the PRC have also shown that the serious imbalance in the major proportional relationship in the national economy cannot be solved through regulation by various economic levers, it could be solved only by mandatory plans, namely, through regulation by nationwide administrative means, at the same time, it was also necessary to rearrange the proportional relationship between accumulation and consumption. This is determined by the socialist public ownership of the means of production, and its essential requirements on the planned economy, and it is also the important difference between the planned commodity economy based on public ownership and other types of commodity economy.

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ECONOMIC MANAGEMENT

GUANGMING RIBAO ON PLANNED COMMODITY ECONOMY, FINANCIAL BALANCE

HK261029 Beijing GUANGMING RIBAO in Chinese 15 Jun 85 p 3

[Article by Wang Shaofei [3769 4801 7378]: "The Planned Commodity Economy Should Maintain Financial Balance"]

[Text] In a planned commodity economy, it is still disputable whether to implement a policy of maintaining financial balance or a policy of financial deficit. In my opinion, a planned commodity economy should refrain from financial deficit. This is because:

First, financial deficit will aggravate the imbalance between demand and supply. Capitalist commodity economy needs financial deficit to create demand with capability for payment in order to relax the pressure of overproduction. While in the planned commodity economy based on public ownership, the balance between general social supply and demand can be consciously controlled through the national plan without financial deficit. In recent years, China has financed construction by issuing state bonds and creating overdrafts at the bank, while at the same time putting a large amount of currency into the market; however, it has failed to provide a corresponding volume of commodities supply to the market, and has in effect aggravated the imbalance between supply and demand.

Second, financial deficit is the breakthrough in the excess distribution of national income. The excess distribution of national income is an economic phenomenon emerging in modern economic life with the circulation of currencies. Only a social organization which controls the issuance of currencies is capable of carrying out excess distribution. In China, enterprises do not have the means of excess distribution; the distribution of enterprises can only lead to changes of the distribution structure, but cannot evolve into excess distribution of the total volume. The distribution of prices and tax revenues can only bring about the transfer of income, but cannot change the total distribution volume of national income. Only the financial departments and the banks can master the means of excess distribution. Therefore, financial deficit is the breakthrough in the distribution of national income. In order to keep excess distribution in control, it is primarily necessary to start from financial balance and the balance in credit loans. Some people hold that the expansion of consumption funds has led to excess distribution. This is seeing things superficially. The cause lies in the fact that financial departments and the banks have given up the principle of maintaining financial balance, and supported the expansion of consumption funds of the enterprises in the form of issuing currencies, which has resulted in excess distribution.

Third, the true nature of financial deficit is to give up the financial means of macroscopic control. Macroscopic control must possess corresponding means. In order to invigorate the enterprises, it is necessary to relax the control of use value. However, the concentrated control of value operation must be strengthened, and the balance in the general supply and demand must be maintained. The most important means in value control is finance and credit loans. Macroscopic control and financial deficit just do not go together; they are contradictory to each other; and we cannot have them both.

Fourth, financial deficit may for a time stimulate the rate of economic development. However, the effects of deficit are accumulative. Once the way is adopted, it will be very difficult to turn back. Long-term financial deficit will lead to continuous inflation and debt crisis. Inevitably, taxes will be increased, and the national economy development and the people's living standards will be affected. Therefore, financial departments must firmly grasp financial balance, so that no deficit may take place in both central and local finances and macroscopic control is ensured.

The concept of deficit should be the difference between normal income and expenditures, and it should not be the difference between normal expenditures and normal income plus income in terms of debts. Foreign countries generally do not cover deficit with income in terms of debts in calculation. In our financial concept, the distribution of national income and financial income should be linked with the national income of the fiscal year that can be distributed. Income in terms of debts belongs to the norm of the credit of the state, if the concept of deficit is included, it will cause confusion in the norm of theory.

CSO: 4006/729



25 July 1985

## ECONOMIC MANAGEMENT

## GUANGMING RIBAO ON OBJECTS OF READJUSTMENT OF ECONOMIC LEVERS

HK241049 Beijing GUANGMING RIBAO in Chinese 15 Jun 85 p 4

[Article by Zhao Suying [6392 4790 5391]: "The Objects of Readjustment of Economic Levers"]

[Text] The objects of the readjustment of economic levers are legal persons and citizens. Under the condition of planned commodity economy, they are full of vigor and play a dynamic role, and always try their best to protect their own interests. They are not entirely in a passive position or simply subject to control. Therefore, when regulatory measures are made public, not only will they make prompt judgment on them, but they will also take immediate action to deal with the situation. Such action may be obedient in nature, but at times resistive.

Generally speaking, when the objects of regulation adopt obedient action regarding regulatory measures, macroscopic control will be smoothly realized. Otherwise, the normal development of the national economy may be sabotaged. Therefore, the choice of regulatory means and the readjustment of economic quantitative change on the part of the main body of macroscopic regulation can be made only on the basis of a full understanding of the activities of the objects of regulation.

In the course of the reform of the economic structure, under the condition of the simultaneous existence of new and old structures, the objects of regulation of the economic levers (enterprises, for example) gradually get decisionmaking power in management. From a long-term point of view, the separation of ownership from management power enables the enterprises to possess the capability of invigorating the economy, while leading to the risk of a loss of macroscopic control by the state.

First, the means of production continues to belong to the state when ownership is separated from management power. When the income of the enterprise fails to cover its expenditure, the state must find a way to correct it; but when the enterprise increases its profits, it still has the right to ask for something from the state. This, in fact, frees the enterprises from any responsibility for risks, but gives them the special privilege of sharing interests, and, in effect, helps them carry out indiscriminate reproduction of an extensive type regardless of the results of investment and market capacity.

Second, with the separation of ownership from management power, the director will be selected and appointed by the workers and staff. When the long-term interests of the state come into conflict with the immediate interests of the workers and staff, the director must first satisfy the demands of the workers and staff in his enterprise, before he can take into consideration the state's interests. Otherwise, there is the danger of his being removed. It is possible for this to promote the union of the director and the workers and staff under him, shaping them into forces alien to the state. Their common pursuit of the greatest economic results in the shortest possible time will inevitably lead to the rapid appearance of a "precocity of consumption."

And lastly, with the separation of ownership from management power, management activities are left to the decision of the enterprises. When the macroscopic plan for development comes into conflict with the target of the enterprises' management, it is possible for the enterprise to try by all ways and means to resist the plan. Thus, the transformation of traditional industries, the development of newly rising industries, and the construction of the infrastructure and basic industries of the state will become stagnant, while the ecological balance and environmental protection will be affected as well. It will lead to not only abnormal growth in the industrial mix but also irrationality in the distribution of natural resources.

In short, with the separation of ownership and management power, enterprise activities have brand-new characteristics. And it is precisely these new characteristics which make the difficulties in macroscopic control continue to grow, and which lead to the appearance of expansion in general demand in the course of the conversion of the mechanism. The basic solution to this problem lies in the readjustment of the ownership relationship under the premise of persisting in the state's ownership of production means, that is, the readjustment of the forms of ownership of production means in general enterprises (referring to all medium- and small-size enterprises and a few large enterprises which have comparatively less effect on the national economy and people's livelihood) by turning the ownership (including possession, use, and disposal) over to the enterprises, so that the whole socialist economic structure may genuinely become a pluralistic economic structure with state ownership playing the dominant role, together with the coexistence of various categories of ownership, multiple economic forms, and diversified methods of management, which are supplementary to each other.

So long as the state forms harmonious system in the application of economic levers in such a pluralistic economic structure, and is capable of creating a competitive environment for enterprises of various categories on an equal footing, promptly readjusting the form and direction of the movement of economic levers based on the feedback of market information and social response in the form of the enterprises' activities, and supplementing them with necessary administrative and legal means, the enterprises will show various reactions, based on the regulation of the macroscopic policies of the state, and brand-new activities on their part will emerge. Thus, under the premise of taking into consideration both development rate and economic results, macroscopic control will be very effective, the microscopic economy will be filled with vitality, and our national economy will be guided onto a development track of healthy circulation.

ECONOMIC MANAGEMENT

DISMISSED PLANT DIRECTORS RESTORED IN GANSU

OW210831 Beijing XINHUA Domestic Service in Chinese 0731 GMT 17 Jun 85

[Article by Wang Zuoyan]

[Excerpts] Lanzhou, 17 Jun (XINHUA)--The Gansu Provincial CPC Committee and Lanzhou City CPC Committee took a clear-cut stand in supporting reform by quickly restoring the posts of Liang Xiaowen, director of the Lanzhou cloth shoes general plant, and Shi Chuanshou, director of the Lanzhou kitchen equipment general plant, who had scored achievements in reform. [passage omitted]

Both Liang Xiaowen and Shi Chuanshou had been dismissed from office for reasons of reform. Their dismissal caused violent repercussions in the Lanzhou cloth shoes general plant and Lanzhou kitchen equipment general plant. The workers and staff of the two plants voiced grievances over the dismissal of their plant directors for reasons of reform. They wrote letters to the Gansu Provincial CPC Committee and Lanzhou City CPC Committee, and called on responsible comrades of the Provincial CPC Committee and City CPC Committee to restore their directors to the posts.

The Gansu Provincial CPC Committee and Lanzhou City CPC Committee attached great importance to and showed great concern about the dismissals of Liang Xiaowen and Shi Chuanshou. In view of reports received from the masses, the party committees swiftly sent a joint investigation group to investigate the incident. Comrade Li Ziqi, secretary of the Provincial CPC Committee, and other responsible comrades of the Provincial CPC Committee personally handled the case. They heard reports by the investigation group on several occasions. Supported by the Provincial CPC Committee and City CPC Committee, the Lanzhou City No 2 Light Industry Bureau revoked its erroneous decision. Liang Xiaowen was restored to his post as director of the Lanzhou cloth shoes general plant half a month after his dismissal. Shi Chuanshou also resumed his post as director of the Lanzhou kitchen equipment general plant on 15 June, slightly over a month after his dismissal.

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## ECONOMIC MANAGEMENT

## XIZANG FORUM STRESSES INVIGORATING ENTERPRISES

HK230205 Lhasa Xizang Regional Service in Mandarin 1130 GMT 22 Jun 85

[Excerpts] The regional forum on enterprise reform, which concluded on 21 June, stressed that opening up to the world, advocating competition, tapping internal potentials, and popularizing technological progress represent the basic way out for the existence and development of enterprises in Xizang. The meeting held that opening up to the world and advocating competition constitute a powerful motive force for invigorating the region's enterprises. We can only totally change the closed and semi-closed state of Xizang's enterprises by opening up to the world, persisting in reform, and advocating competition. [passage omitted]

The meeting pointed out that tapping internal potentials is the key to invigorating the region's enterprises. There can be good prospects for the enterprises if they turn their vision inwards and work hard to tap their own potentials in technology, equipment, capital, and talent, and strengthen their internal invigoration.

The meeting stressed that vigorously popularizing technological progress is the fundamental way out for invigorating the region's enterprises. [passage omitted]

The meeting pointed out that implementing the principles and policies stipulated by the regional authorities and doing a good job in coordinated reform is an important guarantee for invigorating the region's enterprises. The series of principles and policies laid down by the regional CPC committee and people's government have opened up broad prospects for invigorating our enterprises. Only by seriously implementing these principles and policies, properly solving the new situations and problems that crop up in reform, and carrying out coordinated reform of the economic structure in a positive and steady way can we fully guarantee that our region's enterprises will continually strengthen their vitality.

The regional CPC committee and government attached great importance to the forum. Regional CPC Committee Secretary Wu Jinghua, Regional Government Chairman Duo jie Caidan, and Vice Chairman Jiang Cuo made important speeches.

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ECONOMIC MANAGEMENT

WU JINGHUA INSPECTS VILLAGES NEAR LHASA

HK271051 Lhasa Xizang Regional Service in Mandarin 1130 GMT 26 Jun 85

[Excerpts] On the morning of 26 June Wu Jinghua, secretary of the regional CPC committee, and Doje Cedain, chairman of the regional people's government, inspected the (Lin) village and (Xiangga) village in the eastern suburb of Lhasa. They said to the local village cadres and masses: We are your servants. Our duty is to make you rich.

Comrades Wu Jinghua and Doje Cedain also put forth suggestions on how to develop production, to improve people's livelihood, and to make the suburbs of Lhasa rich as soon as possible.

The (Lin) village and (Xiangga) village are two villages under the (Taikongtong) administration office. Over the past few years, the two villages have rapidly developed agricultural and sideline production; the income of the masses have doubled and redoubled. Last year, the per capita income of the villages exceeded 1,100 yuan. About 90 percent of the peasants in the two villages have built new houses.

Comrades Wu Jinghua and Doje Cedain called on (Qiangba Gesang), (Alu), and (Pingcuo Wangzexia) and inquired in detail about their production and life. [passage omitted]

During their inspection, comrades Wu Jinghua and Doje Cedain learned that the peasants in the suburbs of Lhasa City are short of butter and fuel. Although the peasants in the suburbs of Lhasa have increased their income over the past 2 years, a large part of their income have been used to buy butter. Comrade Wu Jinghua suggested that on the one hand, it is necessary to improve milk cow breeds; on the other hand, every household should breed milk cows. He hoped that every peasant household will breed several milk cows next year so that the milk produced cannot only meet their own needs, but can also be supplied to the market in Lhasa. [passage omitted]

On the question of fuel, Comrade Wu Jinghua said: Comrade Hu Yaobang, the general secretary of our party, knows very well about the shortage of fuel in Xizang and has been very much concerned about it. Before I came to Xizang to take up my new post, Comrade Yaobang told me: Whatever the cost, we must maintain an ecological balance in Lhasa City.

Comrade Wu Jinghua said: The situation in which people in Lhasa City use cow dung and grass roots as fuel can no longer be continued. We must organize a group to specially solve the fuel problem in Lhasa City.

When some village cadres reported that a handful of people feared that policies might be changed in the future, Doje Cedain said: You must give more publicity to the party's policies. Provided the policies are beneficial to the masses, they will not be changed.

Comrade Wu Jinghua said: If there were changes, the situation would be changed better. [passage omitted]

Wu Jinghua and Doje Cedain were warmly welcomed during their inspection. The local masses had presented [silk scarves] to them. Accompanying them during their inspection were Hu Songjie, member of the standing committee of the regional CPC committee, and Yang Youcai, first secretary of the Lhasa City CPC Committee.

CSO: 4006/734

FINANCE AND BANKING

BRIEFS

QINGHAI ARTICLES FOR NATIONALITIES--This year, the Qinghai Provincial People's Government has again appropriated interest-free loans of 1 million yuan to support the development of the production of articles for nationality use. Since 1982, the provincial people's government has appropriated interest-free loans of 1 million yuan each year to support the development of the production of articles for nationality use. The number of enterprises throughout the province for the production of articles for nationality use now is 101, their output value amounts to some 20 million yuan, and the range of their products has increased to 950 kinds. Many products have sold well in 12 provinces and municipalities, including Sichuan, Guizhou, Yunan, Xinjiang, Xizang, Shanghai, and Beijing. The amount of profits of these enterprises throughout the province for the production of articles for nationality use from January to May this year was 2.2 million yuan. [Summary] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 11 Jun 85 HK]

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MINERAL RESOURCES

BRIEFS

JILIN BLACK MARBLE MINE--Jilin Province's Liuhe Country recently discovered a black marble mine, with a reserve of 20 million tons, in (Shijiadian) Township of (Tuoyaoling) Town. Relevant departments of the county are making preparations for its development and utilization. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 7 Jun 85 SK]

CSO: 4006/723

INDUSTRY

BRIEFS

MINORITIES JOIN HANS IN RUNNING INDUSTRIES--Urumqi, June 21 (XINHUA)--More and more peasants of Han and minority nationalities in the Xinjiang Uygur Autonomous Region are joining hands to run rural industries as a way of attaining common prosperity, a local official said here today. Under the principle of mutual benefit, rural factories are run by one Han family and one or several minority households, or by a group of Hans and a group of minority people sharing all tasks. In Hami Prefecture, more than 1,000 Uygur and Hui households have turned to mining manganese and mirabilite with the help of Han peasants. Twenty paper mills, printing houses, coal mines, brick kilns and tarpaulin, flour and edible oil factories run on similar lines in Qiketai Township produced an output value of 4.46 million yuan last year, exceeding that of agriculture. A group of 32 Uygur, Hui and Han peasants led by Jiang Guangming has excavated 690 tons of manganese ore since early spring on the outskirts of Hami City. [Text] [Beijing XINHUA in English 1831 GMT 21 Jun 85 OW]

CSO: 4020/271

CONSTRUCTION

BRIEFS

INSCRIPTION FOR NEW MAGAZINE--"SHIJIE JIANZHU DAOBAO" [0013 3954 1696 4639 1418 1032 WORLD ARCHITECTURE GUIDE], China's first professional magazine about architecture, edited and published in cooperation with people abroad, was recently inaugurated in Shenzhen Special Economic Zone. Comrades Wang Zhen, Gu Mu, Lu Dingyi, and Xiao Hua wrote inscriptions for the inaugural issue of this magazine. [Text] [Beijing Domestic Service in Mandarin 2230 GMT 22 Jun 85 OW]

CSO: 4006/734

## FOREIGN TRADE AND INVESTMENT

### CHANGING NATURE OF TECH TRANSFER, TRADING PARTNERS SURVEYED

Beijing GUOJI MAOYI /INTERTRADE/ in Chinese No 4, 27 Apr 85 pp 45-46,39

/Article by Li Yuanzheng /2621 0337 2973/, Technology Imports and Exports Department, Ministry of Foreign Economic Relations and Trade: "New Developments in Technology Imports"/

#### /Text/ I. Import Methods Diversifying

Prior to 1978 importing whole sets of equipment to set up new plants was the chief way to introduce technology. Since 1979 the methods of introducing technology have become more flexible and diversified. Besides imports of complete sets of urgently needed equipment in a planned way, there have been annual increases in projects to import production lines and crucial equipment under the state plan. Projects to introduce manufacturing techniques, production techniques, and technology (commonly called "software" technology /ruanjian jishu 6516 0115 2111 2611/) via technology licensing, consulting and advising, technical services, cooperative production and other methods, have increased with particular rapidity.

According to statistics regarding technology introduction projects under the state plan, prior to 1978, 90 percent of all projects were imports of complete sets of equipment while technology licensing and other methods of introducing "software" technology projects accounted for only 2.3 percent of the total. In the 5-year period from 1979-83, the proportion of complete sets of equipment (including production lines and crucial equipment) among all introduction projects dropped to 53.7 percent while projects involving "software" technology imports rose to 46.3 percent. In 1984 the proportion of imports of complete sets of equipment (including production lines and crucial equipment) dropped further to 40.1 percent. The proportion of "software" technology project imports rose to 59.9 percent. The foreign exchange used to introduce "software" technology projects has also annually increased (Figure 1).

#### II. Scale of Technology Imports Growing Steadily

With reference to the technology introduction projects arranged under the state plan, full equipment imports are clearly decreasing while the technological transformation and service improvements of medium and small

projects are clearly increasing. There has been a particularly noticeable increase in projects centered around introducing "software" technology. This tendency can be seen by the following points:

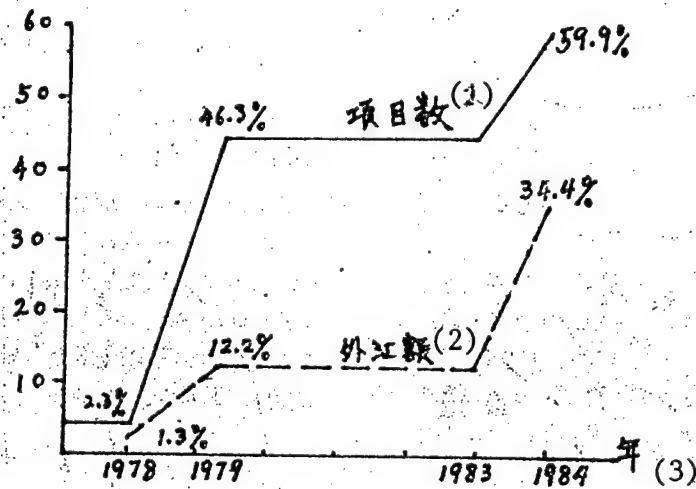


Figure 1. Number of "Software" Technology Projects Among All Projects

Key: 1. Number of projects  
2. Foreign exchange expenditure  
3. Year

1. In the 26 years from 1952-78, an average of only 30.4 projects was introduced per year. In the 5 years from 1979-83 this figure increased to 134 projects and in 1984 there were 340 projects.

2. Regarding the average amount of foreign exchange used per project, \$17.75 million was used in 1978, \$8.21 million in 1979-83, and there was a drop to \$2.81 million in 1984.

3. Regarding the average amount of foreign exchange used per "software" technology introduction project, in 1978 it was \$6.92 million, from 1979-83, \$1.84 million, and in 1984, \$1.6 million.

The main reasons that the average amount of funds spent for introducing "software" technology projects has dropped annually are that China's technological level is continuously rising, self-sufficiency in regard to instrumentation and equipment is continuously being strengthened, and so the urgency of introducing "software" technology instruments or equipment has decreased annually.

### III. More Source Countries for Technology Imports

The sources for China's technology imports have grown to more than 40 countries and regions in Europe, Asia, North America and Australia. Approximately 70 percent of the projects originate in Japan, the FRG, the United States, England and France, with Japan in first place (Figure 2). Approximately 86 percent of the "software" technology projects originate in the United States, the FRG, Japan, England and France (Figure 3), with the United States taking the lead.

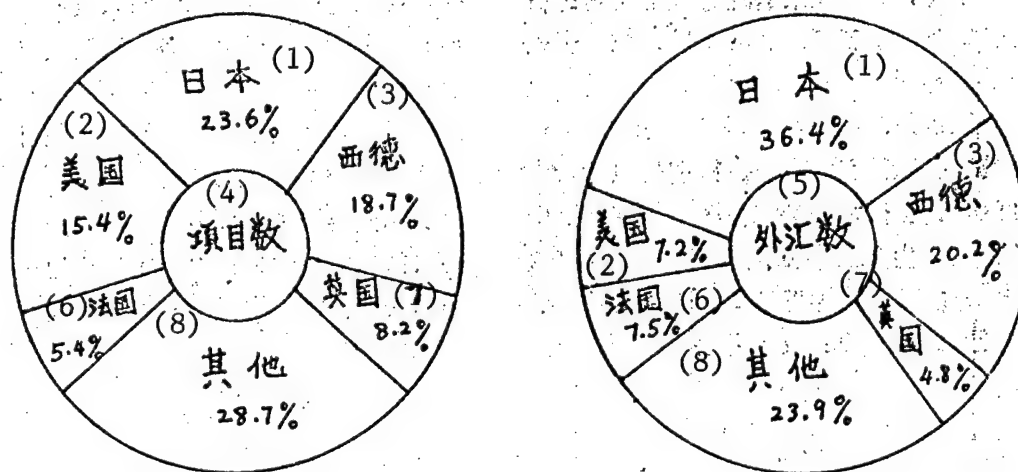


Figure 2. Projects by Country

- |      |                       |                                 |
|------|-----------------------|---------------------------------|
| Key: | 1. Japan              | 5. Foreign exchange expenditure |
|      | 2. United States      | 6. France                       |
|      | 3. FRG                | 7. England                      |
|      | 4. Number of projects | 8. Other                        |

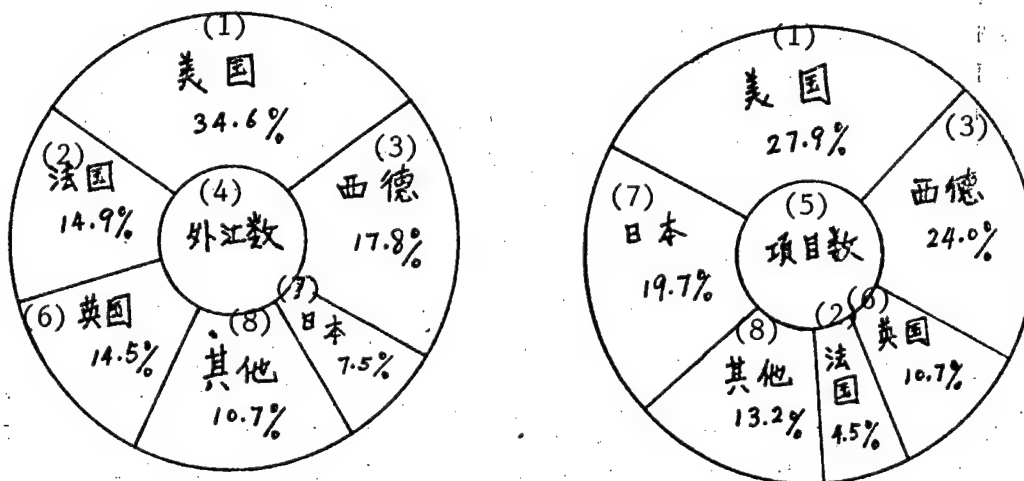


Figure 3. "Software" Technology Projects by Country

Key: 1. United States 5. Number of projects  
 2. France 6. England  
 3. FRG 7. Japan  
 4. Foreign exchange expenditure 8. Other

Looking at the history of technology imports, 56 percent of all introduction projects from the United States are "software" technology projects. Next are the FRG and England, at 40 percent each. Japan is rather low at only 26 percent.

A look at all the technology introduction projects of the past 35 years reveals that approximately 30 percent were the "software" kind. Although in 1984 the figure rose to 59.9 percent, China's ratio of these projects is still rather low. A comparison with the industrially developed countries of the world shows that more than 80 percent of their technology trade is in "software" technology.

#### IV. Initial Change Toward More Companies Doing Business

Prior to 1978, technology introduction projects under the state plan were mainly handled by the China National Technical Import Corp /TECHIMPORT/. The China National Machinery Import and Export Corp /MACHIMPEX/ and the China National Instruments Import and Export Corp /INSTRIMPEX/ also handled a small number of projects. In order to adapt to the new situation of opening to the outside world and to meet the needs of the large number of existing firms that are urgently awaiting technical transformation and upgrading, since 1979 the state has successively approved the establishment of specialized industrial and trade companies under the departments concerned to handle technology introductions within their own departments and trades. Now there are national industrial and trade companies for machinery, electronics, metallurgy, nonferrous metals, the chemical industry, petrochemicals, light industry, textiles, construction and pharmaceuticals.

Various areas have correspondingly set up companies to handle technology imports. TECHIMPORT has also set up branches in coordination with Beijing, Dalian, Qingdao, Wuhan and Chongqing.

The state has also given approval to some large enterprises to have direct authority to import technology from abroad and for their own firms. Included here are the Anshan, Capital, Wuhan, and Ma'anshan iron and steel companies, and the Beijing Yanshan and Shanghai Jinshan petrochemical companies.

These companies all had a role in enlarging the scale and accelerating the pace of China's technology imports.

China's industry and technology will rise to a higher level under the policy of opening to the outside world and enlivening the domestic economy. China will continue to import even more advanced and appropriate technology from firms in friendly countries, and relationships with medium and small-size enterprises in particular will be strengthened.

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CSO: 4006/634



FOREIGN TRADE AND INVESTMENT

BRIEFS

SWEDISH FORESTRY CONSULTANT AID--The Swedish Cellulose and Papermill Association, SCPF, will offer the Chinese consultation assistance. The association will be sending a number of consultants to China over a period of three years. This is part of a project financed by the association's own members. The consultants are to participate in a first stage of the large forestry program being inaugurated in China this year. By assisting the Chinese with technical know-how, it is hoped that Swedish forestry firms will get a chance to win large orders in the future during the coming stages in the building of a forestry industry in China. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 26 Jun 85 p 27]

CSO: 3650/270

LABOR AND WAGES

SICHUAN MEETING ON PROGRESS OF WAGE REFORMS

HK260243 Changdu Sichuan Provincial Service in Mandarin 0030 GMT 26 Jun 85

[Excerpt] On 24 June, the Sichuan Provincial CPC Committee convened a forum of responsible persons of provincial-level democratic parties, non-party figures, and responsible persons of mass organizations concerned to report to them on the intentions of the CPC Central Committee and State Council regarding reform of the wage system for work personnel in state organs and undertakings, and on the progress of wage reforms in Sichuan, and to seek their views.

Nie Ronggui, deputy secretary of the provincial CPC Committee, presided. Vice Governor Gu Jinchi spoke on the principles for reforming the wages of work personnel in state organs and undertakings as formulated by the CPC Central Committee and State Council, the main contents of the reforms, the policy and measures for implementing the reform scheme, and the various methods and steps in reform.

He said: The guideline of the wage reform is to implement the principles of distribution according to work, to appropriately express the idea of rewarding the hard-working and penalizing the lazy and rewarding good work and penalizing bad, to embody the principle of more pay for more work and less pay for less work, and to differentiate between mental and manual labor, between complicated and simple labor, between skilled and unskilled labor, and between heavy and non-heavy labor. The wages of all work personnel should increase somewhat as a result of the reform. The wages of secondary and primary schoolteachers, and those of middle-aged backbone personnel whose grades are inappropriate, should be raised a bit more.

CSO: 4006/723

TRANSPORTATION

MINISTRY OF COMMUNICATIONS INVITES BIDS

Beijing ZHONGGUO JIAOTONG BAO in Chinese 9 Mar 85 p 1

/Article by Li Guoxiung /7812 0948 7160/ and Zhu Xiaolu /2612 2556 6424/:  
"Ministry of Communications Fully Implements Invitational Bids on Projects;  
This Year 8 Projects, 17 Deep Water Berths Open to Bidding"

/Text/ The Ministry of Communications has begun full implementation of bidding on capital construction work this year. The Ministry is ready to accept bids for 8 projects and 17 deep water berths, the first item being the dredging of the Heshangdao Harbor at Dalian.

The Ministry began accepting bids last July. Bids were submitted on four projects: the construction of a coal terminal at Heshangdao, Dalian; a terminal for grains other than wheat or rice at Shantou; a sundry goods terminal at Wulimiao, Anging Gang, Changhang and a coal terminal at Xiji, Huangpu. Bids on these projects saved 8 million yuan in investments; the projects were completed on or ahead of schedule and workmanship was noticeably improved.

Based on experience thus accumulated, the Ministry will now invite bids on all capital construction projects. This year, bids are invited for eight projects: dredging lagoons at Heshangdao and Zhanjiang; preliminary designs of four berths at Zhenjiang Harbor; the center and side spans and the drainage system for the Dongfeng Road bridge in Qinhuangdao City; reclaiming dikes in Nanjing; earthwork, a hydraulic terminal and installation of equipment at Miaoling, Lianyungang; a terminal and earthwork on the land area around the dike at Beihaigang and channel locks from Maliutan, Guiping to Wuzhou including a hydraulic dike, installation of machinery, large-scale earth-and stone work in the forebay, blasting of reefs, patching and repairing dikes, mechanized excavation of pebbles, and so on. One after another, projects in the Seventh 5-Year Plan have begun this year: stage three of the Qinhuangdao coal terminal; container, lumber and other berths in the second stage of the Miaoling, Lianyungang project; the Zhujiamen coal terminal in Shanghai, and 17 deep-water berths in Yantai and other localities are all open to bids.

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TRANSPORTATION

PRC PLANS MORE HARBORS TO EASE PORT CONGESTION

HK220558 Beijing CHINA DAILY in English 22 Jun 85 p 1

[Article by Liang Weiya]

[Text] China is to build more sea harbours to solve serious port congestion which is holding back the expansion of foreign trade.

At a meeting in Xiamen, Fujian Province, it was revealed that the state will speed up the construction of ports in major coastal cities during the Seventh Five-Year Plan (1986-1990).

The programme will include: implementing the policy of constructing big, medium-sized and small ports at the same time; building up rail, highway, and water transport; improving technical transformation of existing harbours; using state and local funds to set up more ports; importing advanced technology and soliciting foreign investment in joint ventures.

Dai Jiaxian, a Ministry of Communications official said yesterday that the shortage of sea harbours has seriously hampered foreign trade.

"Berth shortage is extremely serious and all the harbours are under great pressure," he said.

From January to June, more than 5,300 ships were handled at the country's 24 harbours compared to 4,100 in the same period last year.

More than 52 million tons of foreign trade cargo have been handled during the period, an increase of 29 percent over last year.

China's ports can handle more than 120 ships on average a day in 150 berths. But more than 380 ships are queueing and waiting to unload.

The problems are exaggerated by poor planning of imports and exports and the shortage of storehouses and transport, Dai said.

Important goods being held up are imported iron and steel material and chemical fertilizers and maize for export.

Dai suggested that all shipping companies plan more carefully and foreign trade departments improve management.

"To solve the congestion, goods should be handled quickly," Dai suggested.  
"Railway and roads should be utilized to ease port congestion."

In the first four months of this year, Tianjin Harbor used trucks to transport goods. Now 50 percent of the more than 1 million tons of goods are transported by trucks.

Earlier, Qian Yongchang, Minister of Communications, said China will build 33 deep-water berths this year and complete the reconstruction of three crude oil wharves at the ports of Dalian, Qingdao and Nanjing. This will expand port capacity by 30 million tons.

The country will also continue construction of 66 deep-water berths, start construction on 22 new ones and begin planning another 17.

CSO: 4020/271

TRANSPORTATION

CHANGSHA MEETING ON TRUCK FREIGHT TRANSPORT

OW241001 Beijing XINHUA Domestic Service in Chinese 0047 GMT 22 Jun 85

[Article by Yao Yue and Yuan Bojun]

[Excerpts] Changsha, 22 Jun (XINHUA)--To provide truck transport for small quantities of freight from one province to another and separate highway freight from railway freight, the Highway Bureau under the Ministry of Communications recently held a meeting in Changsha, Hunan, to discuss issues on truck transport of small quantities of freight in Central-South China's five provinces (autonomous region). Truck transportation departments in Beijing, Xian, Hebei, Jiangsu, Wuhan, Guizhou, and other cities and provinces concerned also sent their representatives to attend the meeting.

The meeting decided to adopt the following measures from July:

--To set up an organization for transporting small quantities of freight by trucks in Central-South China's five provinces (autonomous region), and to coordinate with more than 20 provinces and cities including Beijing, Shijiazhuang, Xian, Nanjing, Hefei, and Guiyang for the direct shipment or transshipment of small quantities of freight by trucks. [passage omitted]

--To increase the number of long-distance truck lines for transporting small quantities of freight from one province to another between Changsha and Zhengzhou, between Guangzhou and Zhengzhou, between Liuzhou and Changsha, between Wuhan and Changde, between Guiyang and Shaoyang, and between Guangzhou and Shaoyang. [passage omitted]

--Transportation centers for handling small quantities of freight in Central-South China's five provinces (autonomous region) will accept cargo for transshipment or direct shipment within the provinces and autonomous region. In addition, they will also accept similar shipments by trucks to over 30 cities including Beijing, Shijiazhuang, Xian, Nanjing, Shanghai, and Hefei. [passage omitted]

--With the launching of the truck freight services in Central-South China's five provinces (autonomous region) and in the provinces and cities concerned, all freight charges, receipts, vouchers, and other related matters will be standardized, and freight trucks will be operating from one province to another on schedule. Service centers in the various provinces will provide conveniences

for trucks from other cities and provinces in refueling, truck maintenance and repair, parking, food and lodging for truck drivers, and cargo storage. They will also serve owners by making arrangements for transshipment, loading and unloading, paying freight or transport expenses in advance, and delivering cargo to places as designated by cargo owners.

CSO: 4006/729

TRANSPORTATION

SHAANXI VICE GOVERNOR URGES REMOVAL OF OBSTACLES ON ROADS

HK241318 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 22 Jun 85

[Text] In one of his recent speeches, Vice Governor Zhang Bin stressed: It is necessary to immediately clean up two roads--Xian-Lintong road and Xian-Qianxian road, remove obstacles on the roads, and ensure that the roads are unimpeded.

On 18 June, the provincial government held a meeting to study the problem of clearing of the roads for tourists. Vice Governor Zhang Bin made demands regarding communications. Zhang Bin said: Communications for tourists are a big problem. Although we have built a multilane, large bridge at Xian, trade fairs have occupied large sections of roads and motor vehicles have found it very hard to pass. In the trade fairs in (Yabai), Zhouzhi County; and on the west of the (Donghe) bridge, Xianyang, stalls and stands have been set up on roads and often block traffic. Some people have threshed wheat and dried grain on roads. This has seriously blocked traffic. Traffic supervision departments must not pay attention only to the collection of road maintenance charges but also control traffic well. In the future, when there is an accident on the road, it is essential first to approach the supervision departments. Communications and industrial and commercial administrative departments must take measures to solve the problems of trade fairs on the roads and of threshing and drying grain on the roads.

Comrade Zhang Bin specially emphasized: Every department must perform its duty and go into action immediately. We must have results in 2 months and organize road inspections after half a month.

In recent days, the provincial Communications Department has especially held a meeting to study the problems of clearing the two roads for tourists--Xian-Lintong road and Xian-Qianxian road. It has set up a clearing up leadership group with Deputy Director (Xiong Qiushui) as the head of the group and with the participation of the principal leaders of the supervision departments, the road bureaus, and the communications bureaus of two cities--Xian and Xianyang.

At present, the clearing up group has started work on these roads for tourists.

CSO: 4006/729



## TRANSPORTATION

### HENAN'S ZHENGZHOU RAILROAD BUREAU IMPROVES SERVICE ATTITUDE

HK271027 Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 25 Jun 85

[Text] After some press units in the capital released reports disclosing that the Yongdingmen railroad station and Dongjiao railroad station in Beijing had loaded and unloaded goods in a rude manner and blackmailed the owners of the goods, Zhengzhou Railroad Bureau reacted vigorously.

On 20 June, (Li Daxiang), secretary of the bureau CPC committee, and personnel concerned studied five measures to curb rude manners in loading and unloading goods and dealing with passengers. On 21 June, a bureau telephone conference was held, demanding that the eight railroad subbureaus conduct self-inspection investigations in light of realities in their own units and that they resolutely struggle against all unhealthy trends.

Xin'an Railroad Subbureau held a rally to deal with its past cases of treating passengers in a rude way. The subbureaus of Zhengzhou, Wuhan, Luoyang, Xinxiang, and Baoji have also sent special persons to visit the owners of goods and transport units to seek their specific views on railroad work.

On 22 June, the Zhengzhou Railroad Bureau especially sent a telegraphic circular, demanding that all subbureaus, stations, depots, and workers seriously study the recently disclosed incident of loading and unloading goods and treating passengers in a rude manner, that they penetratingly conduct education that people's railroads must serve the people, that they inspect whether or not these malpractices exist in their own units, and that they seriously deal with the problems discovered as a result of self-investigation or disclosure by the masses.

The Zhengzhou east station--the largest transfer station handling goods in bulk in the whole country--has organized a loading and unloading quality inspection group, which conducted large-scale inspections on two occasions. Leaders of the railroad bureau have also personally gone to the east station to inspect the situation in loading and unloading. A responsible person of the Zhengzhou east station said: The lesson for our fraternal station is also a lesson for us. People's railroads must be supervised by the people. With the cooperation of both the railroad units and other units, the problems dealing with work style are not hard to solve.

TRANSPORTATION

BRIEFS

AIR SAFETY RECORD--Lhasa, June 27 (XINHUA)--Chinese airliners have been flying over the roof of the world for 20 years without a single accident. Xue Xiaoming, director of the Civil Aviation Administration of China (CAAC) in Tibet, told XINHUA today that in 9,000 flights carrying 840,000 travellers from Chengdu in Sichuan Province to Lhasa in Tibet "not a single accident has ever taken place in this most forbidding area for civil air traffic." Pilots on the route must have over 5,000 flying hours. Strict demands are made on aircraft, ground crew and cabin staff. Aircraft have to carry more fuel than needed for a round trip. After a violent earthquake in Daofu County in Sichuan on the morning of January 24, 1981, air traffic controllers moved equipment out of the endangered building and resumed communications within an hour. [Text] [Beijing XINHUA in English 1841 GMT 27 Jun 85 OW]

JIANGSU PORT SEEKS HARBOR EXPANSION AID--Nanjing, June 22 (XINHUA)--Lianyungang Port in Jiangsu Province is to seek tenders from other parts of China for construction of harbor facilities, according to local officials. The port is a terminal of the Longhai Railway which connects 11 provinces and autonomous regions from east to northwest China. The harbor has only nine berths with a designed handling capacity of five million tons a year, far short of that needed to cope with the ever-increasing volume of freight. Very often, 20 to 30 vessels at a time are anchored outside the harbor, waiting for loading and unloading. Six new berths are already under construction and will go into operation by 1990, raising the capacity of the port to 20 million tons of cargo a year. However, since the cargo quantity is estimated to surpass this by 10 million tons in that year, the provincial authorities have decided to offer other provinces and cities the opportunity to build berths, warehouses, and rail and highway facilities in the port area, with the investors retaining control of their use. [Text] [Beijing XINHUA in English 0711 GMT 24 Jun 85 OW]

FOUR NEW WHARVES TO BE BUILT--Beijing, June 26 (XINHUA)--China is to build four new wharves on the Yangtze River, China's longest waterway and a major transport artery, according to an announcement made by the Ministry of Communications here today. The new wharves, which will facilitate the movement of exports from China's interior, will be built in Wuhan and Huangshi, Hubei Province, Jiujiang, Jiangxi Province, and Wuhu, Anhui Province, over the next five years, a ministry official told XINHUA. The wharves will be able to accommodate 5,000-ton vessels. Their construction will help expansion of both foreign and domestic trade along the 6,300-km river, the official said. At present, there are 25 ports along the river and a shipping network has been set up so that export

goods can be shipped directly to overseas destinations from such major ports as Nantong, Nanjing, Zhangjiagang and Zhenjiang. The official said 803 companies are now offering shipping services on the Yangtze, with 230,000 vessels. Previously, shipping along the main course of the river was solely controlled by enterprises directly under the central authorities. In the first five months of this year, the official said, 22.04 million tons of freight were handled and 14.29 million passengers transported along the Yangtze. [Text] [Beijing XINHUA in English 1102 GMT 26 Jun 85 OW]

HENAN MEETING STRESSES ROAD IMPROVEMENTS--A provincial communications work conference which concluded yesterday demanded that the project of widening 3,500 kilometers of main roads launched last winter and spring should be regarded as a key project, and every effort should be made to have the whole work finished in 18 months. The conference, which lasted 5 days, made arrangements for communications work for this year and next. Road construction was the central item on the agenda. [passage omitted] The participants held: The state of the roads in Henan is very far from meeting the needs of economic development. The province's entire economic construction effort will be held back if we fail to take effective action now to solve the problems of low standards, narrowness, and low traffic capacity of our roads. [passage omitted] The Provincial CPC Committee and government attached great importance to this meeting. Vice Governor (Hu Jiyun) said in a speech at the conclusion of the conference: In the future the provincial government will strengthen leadership over communications work and do everything possible to make some material and finance available for road construction. He expressed the hope that the staff and workers of the provincial communications departments would act in the spirit of looking ahead and strive to contribute toward improving the backward state of road communications. He also demanded that all localities and departments take a truth-seeking attitude toward the problems in road-widening work in the previous stage, and provide vigorous support for road construction. [Excerpts] [Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 23 Jun 85 HK]

SHAANXI RAIL ELECTRIFICATION--Xian, 12 Jun (XINHUA)--Electrification work on the section of line between Mengyuan and Baoji on the Longhai Railroad, which crosses the central part of China started recently. This section starts from Sanmenxia and ends at Baoji in central Shaanxi Province, with a total length of 291.5 kilometers. Electrification of the section will play an important role in vitalizing Shaanxi's economy and alleviating the burden on the line from Zhengzhou to Baoji. The section from Mengyuan to Xian is scheduled to be completed in 1988, and the section from Xian to Baoji in 1989. [Summary] [Beijing XINHUA Domestic Service in Chinese 1240 GMT 12 Jun 85 OW]

HIGHWAY HIT BY MASSIVE LANDSLIDES--Lhasa, 25 Jun (ZHONGGUO XINWEN SHE)--Since the end of May, three massive landslides have successively hit the section of Sichuan-Xizang highway in Linzhi County. Traffic along the Sichuan-Xizang highway was held up; houses, bridges, and farmland were destroyed; and more than 500 people were surrounded by landslides. Casualties are still not clearly

known. According to responsible persons of the Linzhi County government, it has been rather rainy in Linzhi County since the beginning of May. There have been minor landslides and mud-rock flows near Pailonggou. On the evening of 29 May, a massive landslide destroyed a steel bridge on the highway and the highway itself. Traffic along the highway was held up. On 18 and 20 June, there were two more major landslides. Many rocks and much mud and sand slid downslope, silting up the Yigong He. As a result, river water flowed upstream, carrying away more than 20 motor vehicles and destroying 5 kilometers of the highway and three suspension bridges. More than 580 people in 9 villages are still surrounded in water. Lhasa City and Linzhi County are organizing forces to rescue more than 580 people. According to one analysis, as a result of melting glaciers, there will be even more massive landslides in this part of the country. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1215 GMT 25 Jun 85 HK]

ZHENGZHOU HIGHWAY BRIDGE--On the afternoon of 5 March, State Council Vice Premier Li Peng, accompanied by Deputy Minister of Communications, Wang Zhangyi /3769 1455 1942/, the governor of Henan Province He Zhukang /0149 4554 1660/, and Deputy Governor Ji Hanxing /4764 3211 2502/, braved cold winds on an inspection tour of the Zhengzhou Huang He highway bridge construction site. The bridge spans 5,500 meters. Since construction began in the latter half of 1984, a total of 164 poured concrete piles have been completed as of the end of February, or 54 percent of the total work on the bridge's foundation. Work continues on the remainder of the substructure. Last winter and this spring, due to unseasonable weather, Zhengzhou had an abnormally long winter freeze, making work on the bridge very difficult. But laborers were able to surmount the weather problem and steadfastly man their stations to ensure progress. Vice Premier Li Peng saluted cadre workers from Section 2, Bureau of Bridges of the Ministry of Railways; Squad 2 of the Office of Highway Works of the Henan Provincial Transportation Department, and the lead squad of the Bureau of River Works of Henan Province. /Text/ /Beijing ZHONGGUO JIAOTONG BAO in Chinese 9 Mar 85 p 1/ 12888

TEN THOUSAND BUSES LAST YEAR--In 1984, production of buses in China increased 16.54 percent compared to the previous year, topping 10,000 units, some of which are new, more comfortable models. Passenger transport by highway has increased about 12 percent annually in recent years. As China's economy improves, travellers demand more safety, speed, comfort and smart styling. To meet these demands, production units throughout China have concentrated on scientific solutions in production technology while undergoing reform. Seven models have already been developed, where only one was in service before. Of these, the JT 1118 H, developed and produced by the joint efforts of the Chongqing Science Institute of the Ministry of Communications, the Dalian Bus Factory and other units, is a large, deluxe model with sleek new styling. In structure and styling, it has reached advanced international levels. Truck chassis had been used in the manufacture of China's buses. Last year, chassis especially designed for buses were successfully developed and produced. /Text/ /Beijing ZHONGGUO JIAOTONG BAO in Chinese 6 Mar 85 p 1/ 12888

PUBLICATIONS

BRIEFS

PRC ECONOMIC JOURNAL--"SHAONIAN JINGJIXUEJIA [YOUNG ECONOMISTS]," China's first economic journal for young people began publication on 27 April. [Text]  
[Beijing Domestic Service in Mandarin 1200 GMT 27 Apr 85 OW]

CSO: 4006/729

HONG KONG MEDIA ON CHINA

NANTONG WANTS TO RAISE EXPORT EARNINGS THROUGH JOINT VENTURES

Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English  
21 Jun 85 p 5

[By Olivia Sin]

[Text] Nantong, a rich producer of raw materials in Jiangsu province, plans to boost its export earnings through joint ventures with investors.

Officials from the city said last year it exported 7.8 million renminbi (HK\$21.1 million) worth of goods of which 70 percent was raw materials.

They said they were eager to see more value-added products made with their raw materials and technology provided by foreign firms.

Nantong, situated at the mouth of the Yangtse River, is one of the 14 coastal cities designated for foreign investment.

The fertile soil of the Yangtse Delta has enabled the city to develop a wide range of agricultural and animal husbandry industries.

For years, it has been the country's major exporter of cotton, yarns, ramie cloth, raw silk and animal skins.

But now the city wants to export more finished goods, such as garments, synthetic fibers and shoes.

Nantong is well known for its cotton and textile industries which can be traced back to the Ming dynasty.

Compared with other cities opened up much earlier, Nantong can be described as a "virgin" city in terms of utilization of foreign funds and technology.

According to the deputy general manager of China Nantong United Economic Development Corp., Mr. Wang HONCCEN, the city had formed only a few joint ventures with foreign firms.

"We are many areas open to cooperation," he said. His firm was set up by the Nantong authorities to import technology and to form joint ventures.

He said foreigners were welcome to set up processing and packaging factories to improve the quality of their goods.

Mr Wang said the city preferred joint ventures which could provide "mutual benefit."

"If you participate in a joint venture with us, we will buy your machinery and share the profit," he said in an interview with BUSINESS NEWS.

He reassured potential investors that the city had enough foreign exchange to launch joint ventures, adding that the city was allowed to retain 25 percent of its export earnings to develop its industries.

Comparing it with the other 13 coastal cities, Mr Wang said in terms of industrial output Nantong ranked sixth, after Shanghai, Tianjin, Guangzhou, Qingdao and Dalian.

It also had the second largest per capita income after Shanghai at 10,000 renminbi a year.

"This means our workforce is productive and efficient," Mr Wang said, adding that the city had much less foreign help compared with the other coastal cities.

Nevertheless, Mr Wang and Mr Huang Bingquan, another foreign trade official from Nantong, admitted that the city's inefficient transport system was the major stumbling block in attracting investors.

Nantong's airport is being constructed and air services are not expected until late next year.

Recently, the city launched a ferry service to Shanghai, cutting traffic time from six to three hours.

Communications have also been made more easy with the installation of a microwave transmission tower.

But there is no direct dialing service between Nantong and Hong Kong. Long distance calls have to be connected through Shanghai.

But Mr Huang was quick to point out the city's easy accessibility to other provinces via the Yangtse River. It is linked with Anhui, Jiangxi, Hunan, Hubei and Sichuan in central China by the River.

"This means Nantong has an extensive hinterland. Our internal transport links are convenient," he said.

Nantong has also placed more emphasis increasing its handling capacity at its deep water port.

HONG KONG MEDIA ON CHINA

HONG KONG FIRM INVOLVED IN PILOT PROJECT IN NANTONG

HK190353 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 19 Jun 85 p 1

[By Olivia Sin]

[Text] A joint venture between Sun Hung Kai and Co and China may invest up to 200 million renminbi (about HK\$544 million) to turn a street in Nantong city into a modern tourist and commercial complex, a Chinese official said yesterday.

Plans are afoot to build the first stage which will include a hotel and office and apartment blocks. It will cost about 50 million renminbi.

Business News also learned that Nantong, a port city in Jiangsu Province, plans to issue shares throughout the country to raise funds for the project.

Situated at the mouth of the Yangtse River (CHANG JIANG), Nantong is one of the 14 coastal cities open to foreign investment.

Chinese officials view the project as a pilot scheme. If successful, similar development projects will be undertaken in other parts of the country.

The project will be conducted by Xin Hai Tong Co Ltd, an equal joint venture between Hong Kong-based Tian An Development Co and Nantong Jianghai Economic Development Co.

Tian An has five partners, including the Sun Hung Kai [SHK] group, the Bank of China and the China Resources [Holdings] Co Ltd.

The deputy general manager of Nantong Jianghai, Mr Hu Jianxiong, told BUSINESS NEWS the master plan of the project was still not ready.

"Several proposals have been submitted but we have to hold more discussions," he said.

The street concerned is called Gingnianxi Lu and is about one kilometre long.



Mr Hu said his company had reclaimed half of the street for redevelopment.

If everything went smoothly, work on the first stage could start by the end of the year, he said.

Mr Hu said the pace of development would depend on the success of the fundraising campaign.

The first stage will see the construction of a complex which will consist of a 300-room hotel, an office tower, an apartment block and a shopping arcade.

On the share plan, Mr Hu said the company hoped to raise 30 million renminbi.

It is believed that this is the first time shares will be issued throughout the country.

Shares were previously issued on a restricted scale in places such as the SHENZHEN special economic zone and Foshan in Guangdong province.

Mr Hu said the shares would be in denominations of 100,200 and 1,000 renminbi.

Shareholders would get interest payments "slightly higher than bank deposit rates" and they would be paid a bonus five years after subscription, he said.

The shares would be underwritten by the Bank of China with the approval of the People's Bank of China, the country's central bank.

Individuals and collective enterprises would be allowed to subscribe.

Mr Hu said the governor of Jiangsu, Ms Gu Xiulian, had helped arrange the share issue.

He said the managing director of Sun Hung Kai (China), Mr Andrew Chow, would hold a meeting with Nantong officials next week on the issue.

Mr Hu also said Tian An would provide U.S. \$10 million for the first stage of the project.

A foreign trade official from Nantong, Mr Huang Bingquan, told BUSINESS NEWS there was a possibility that Xin Hai Tong would issue shares overseas to raise money for the project.

Xin Hai Tong has a registered capital of U.S. \$6 million and will be officially opened in August.

Its chairman will be the general manager of Nantong Jianghai, Mr Ma Zhijian, and the general manager will be Mr Chow.

Nantong Jianghai has a paid-up capital of 50 million renminbi. It is formed by the Nantong authorities to lure foreign funds and technology.

SHK group's chairman, Mr Fung King-Hey, and Mr Chow were not available for comment yesterday.

CSO: 4020/273

HONG KONG MEDIA ON CHINA

SHENZHEN TO RECEIVE REDUCED FOREIGN EXCHANGE ALLOCATION

HK190311 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 19 Jun 85 p 1

[By Suzanne Sim]

[Text] This year's foreign exchange allocation for the Shenzhen special economic zone will be substantially less than last year, said Mr Zhang Shu-zhi, director of Shum Yip Holdings Co Ltd, Shenzhen's official trading arm.

Speaking yesterday at the inauguration of Shum Yip's seven joint subsidiaries, Mr Zhang said the Central Government is in the process of assessing the amount of foreign exchange allocation to be accorded to the different states and zones.

Due to the recent squeeze on foreign exchange and the Chinese Government advocating controlled spending and slower economic growth, most provinces have less foreign exchange to spend.

Although Shenzhen's spending will be considerably slower for the year, Mr Lee Kwong-chun [name as published], vice-mayor of Shenzhen said certain imports will not be affected by the tighter budget.

Mr Lee admitted that there have been incidences where payments for some contracts have defaulted, but noted that certain imports are not affected by the tighter foreign exchange controls.

He said imports for joint ventures, wholly-owned foreign ventures and co-operation ventures will be permitted as normal and will be not be affected by the foreign exchange squeeze.

However, he said that balance of payments will have to be maintained and transactions will be closely monitored to prevent excessive foreign exchange spending.

Mr Zhang said apart from the seventh wholly-owned subsidiaries, another two are being developed, and will be inaugurated soon. These subsidiaries will import foreign technologies and investment into China.

At the same time, Mr Zhang said that Shum Yip will establish joint ventures with foreign companies.

The total investment envisaged will amount to a total of U.S. \$100 million for the building of 10 factories for the production of electronic goods, textiles and other products in Shenzhen.

Mr Zhang said Shum Yip will be responsible for 30 percent of the capital investment, while the remaining 70 percent will be provided by the foreign partners from the United States, Japan, Germany, Singapore and Hong Kong.

According to Mr Zhang, Shum Yip has invested about HK\$2.1 billion in China and Hong Kong for the setting up of joint ventures and the importing of new technology. It is estimated that \$60 million has actually been invested in Hong Kong.

Recently, Shum Yip also entered into a 50:50 joint venture agreement with Kumagi Gumi of Japan to develop the Nanhai Building site in Shenzhen into a hotel--the total investment is estimated to be around \$50 million [currency not specified]--but no architectural plans have been finalized.

Mr. Zhang said they are still awaiting approval from the Central Government.

CSO: 4020/273

HONG KONG MEDIA ON CHINA

\$50 MILLION JOINT VENTURE HOTEL PLEDGED FOR GUILIN

HK240355 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 24 Jun 85 p 5

[By Suzanne Sim]

[Text] A U.S. \$50 million hotel resort will be built in Guilin, a renowned tourist resort in Guangxi Province, by Hong Kong-based China Cheers Ltd in conjunction with the Guangxi China International Culture Exchange Centre.

Mrs Ling Tsui, managing director of China Cheers Ltd, said final agreement for the resort hotel will be signed next week.

She said the complex will contain two golf courses and 10 tennis courts.

China Cheers, a relatively unknown company established last year, boasts of strong links with China.

Several Chinese officials act as its consultants, including Mr Huang Chihang, vice-chairman of the Guangxi branch of the China International Trust and Investment Corp (CITIC).

Although China Cheers was set up solely for the purpose of investing in China, Mrs Tsui said she has been dealing with China since 1978.

Earlier, under the banner of Collins Industrial Co Ltd, Mrs Tsui has invested in two electronics factories in Beijing and in the cultivation and canning of greenbeans aimed at the overseas markets.

In Hong Kong, the company is mainly involved in trading.

According to Mrs Tsui, the hotel will be built in a resort style with low-rise apartments of four to five storeys which will not spoil the scenic views of Guilin.

"In the past, tourists would come to Guilin, admire the views and would not return because of poor facilities in the area," Mrs Tsui said.

"Now, we, in conjunction with the Guangxi authorities, seek to improve on that," she said.

The hotel will occupy more than 200 acres of land and will have 800 to 1,000 rooms.

Construction work will begin immediately after the signing of the contract and the whole project is expected to be completed by the end of next year.

The contract is relieved to be for a 15-year term.

The Guangxi China International Exchange Centre, which owns the land, will have 51 percent share in the venture and China cheers 49 percent.

Another U.S. \$6 million will be invested to develop the two 18-hole golf courses, which will blend with the natural beauty of Guilin, Mrs Tsui said.

The hotel complex will have a convention centre-cum-theatre to help increase cultural exchanges between Guangxi and other countries.

"We will bring in ballet dancers, philharmonic performances and other such cultural shows into Guangxi," she said.

Mrs Tsui is an adviser to the China International Exchange Centre.

CSO: 4020/273

HONG KONG MEDIA ON CHINA

SHAANXI OFFERS PERKS TO LURE FOREIGN INVESTORS

HK240451 Hong Kong HONG KONG STANDARD in English 24 Jun 85 p 4

[Text] Deprived of access to the sea, Shaanxi province is nevertheless undaunted in its courtship of foreign capital investment, reflecting a new enterprising spirit that is catching on.

To lure investors, the province is offering free transportation for its exports--and it is a significant bait, considering the exorbitant cost of goods movement.

Explaining the new investment incentive to a visiting Hong Kong press team earlier this month, Shaanxi Vice Governor Chang Bin said the plan ought to reduce production expenses and make the disadvantaged Shaanxi competitive with the rival littoral provinces.

While all foreign joint ventures have to pay 30 percent of their income tax to the state (a new law), the Shaanxi government has decided to help them--and itself--by cutting factory rent that now ranges from RMB5 [renminbi] to RMB 30 (HK\$15 to HK\$70) per square metre a year.

Mr Chang said the provincial government will also lower the state-approved three percent income tax for the local authorities. In priority areas, the income tax will be exempted.

The advantages of investing in Shaanxi include its already established industrial bases, ample supplies of raw material and human resources, which are not yet well-known to the outside world.

Observers say the Shaanxi edge is secret in the consequence of the province's large defence industries and the need for confidentiality in what China still regards as a delicate subject. The province produces a vast arsenal of top quality weapons--some of which are for export.

Its industrial capacity is also complemented by skilled staff trained at technical institutions and the renowned Xian Jiao-tong University whose speciality is, as expected, mechanical engineering research and development.

Today, Shaanxi still houses the nation's top power transmission engineering company, an instrument factory, the screen color television firm and many other mechanical research institutions.

But Shaanxi, for its heavy industries, still lags behind the coastal provinces in light and consumer production, and it is this gap that the present government is determined to bridge with foreign investment.

The industrial gulf exists because the machinery is dated (unlike cars, there is no demand for new annual howitzer models), technological advances had been checked and because of the national stress on agriculture in the 60s and 70s.

To catch up--a great feat indeed, considering the technological disparity among regions in China--the province will appeal to outside investment and count on them to bring in new machines.

The selling point, then, is the array of incentives to match and surpass all those offered anywhere else as the Chinese scramble for capital input quickens.

Besides that, the province has ventured beyond military contracts (a necessity now because of the cutback in arms and men) and begun to convert armament plants into "profit-making" factories and shops whose target is the consumer.

Since 1983, Shaanxi (with its part in the history of aviation in China secure) has supplied certain components for American aircraft companies.

So at last the noted centre for the production of jet turbines and supersonic air frames has a connection with the foremost aircraft makers in the world.

The large state-owned aircraft manufacturer, Xian Transport Factory, which produces the Chinese-designed Yun-7 and Yun-8 aircraft, is a study in industrial innovations--and success.

The provincial government has drawn up 185 key projects to attract foreign capital.

Among them are 125 items which require revamped machinery and advanced production methods. The other 60 are new industries which await completely new technology.

Businesses can be operated as joint ventures, or compensation trade in which the investors provide technology and Shaanxi the facilities and the labour.

What capital the foreigners put in will be repaid by goods in a kind of loose barter system that should work well in cash-strapped Shaanxi.

The province will soon publish a bilingual--English and Chinese--guidebook, spelling out the rules and regulations, touting the advantages and pointing out the promises of investment in the interior, which is today a special frontier for trade.



Now it is believed that the hotel and catering business will be the most vigorous in earning foreign currency since the province is one part of China which is much trampled by tourists.

But satisfying curiosity is not the only game in town (or province), as it were, as government agents ply the seminar circuit, selling the potentials of the province.

At one of these fetes and commercial festivals last December, scouts earned 10 contracts, involving U.S. \$340 million (HK\$2,652 million). Two of the hotels were completed and open for business early this year.

For long-term development, the planners are looking forward to investment in the "infrastructural aspects"--jargon for roads, tracks and concrete things--such as the north-bound shuffle rail from Shenmu-Fugu coalfield to Baotou-Beijing Railway.

Modernizing the rail system is essential in a landlocked place whose port-bound eastward track is burdened with heavy traffic that grows along with the other industries.

Though inland and semi-arid, the soil makes much of southern and eastern portions of Shaanxi arable; and bumper harvests over these past several years have given the region a surplus. Beyond filling the graneries and silos, farmers must now acquire processing and packaging plants to help send the products to the markets.

And even the budding light industrial products are readily sold at home while the province wistfully looks for markets farther afield. With new equipment--and some marketing strategy--much more can be done.

Where do the things go? To sea, through the ports of Tianjin, Shanghai and Guangzhou; and some reach Hong Kong where the province will establish its own trade commission to attract investors who abound here.

(The Lishan Trading Company is due to open on the same day of the Shaanxi Trade Exhibition to be held at the China Resources Building from August 3 to 17).

Shaanxi, despite being the cradle of ancient Chinese civilization, is not a world famous part of China, its significance having been eclipsed by the coastal provinces. Even the Terracotta relics remain archeological artifacts marvelled at surely, but not enough in themselves to elevate the importance of the province that is now at the centre of many tourist itineraries.

The economy of the province still fascinates the visitors who are mindful of the zenith that the ancient capital, Xian, had reached in ancient Chinese civilization. But more than just the curios, the barrows and the sites, Shaanxi has not only the past; it has a future, and it is this that the province wishes to promote.

Shaanxi's direct foreign trade remains small, accounting for about RMB325 million (HK\$905 million) in 1984 while total export values accounted for RMB 253 million (HK\$704 million).

A total of U.S. \$15 million (HK\$117.0 million) has been taken on loan from overseas for eight major operations while foreign investments in the form of compensation trade amounting to about U.S. \$13 million (HK\$101.4 million) involve about 10 companies.

CSO: 4020/273

- END -